

Nation's Business

A USEFUL LOOK AHEAD

SEPTEMBER 1958

OUTLOOK
FOR THE

'60s

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economical

From the moment your
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Announcing IBM's exciting new
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A further advantage is the way research and manufacturing are tied



WESTERN ELECTRIC means efficiency, quality and long life in telephone equipment. All are reflected in the speed, clarity and dependability of your telephone service.

together. Being a part of the Bell System, Western Electric can work closely with the Bell Telephone Laboratories and the local telephone companies.

Western Electric must be ready at all times to produce 200,000 kinds of apparatus and component parts for telephone equipment. It also purchases for the Bell System, distributes supplies, and installs central office equipment.

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There are great values in the Western Electric setup. No other way would work out half so well for telephone users and the nation.

BELL TELEPHONE SYSTEM



Nation's Business

September 1958 Vol. 46 No. 9

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Washington, D.C.

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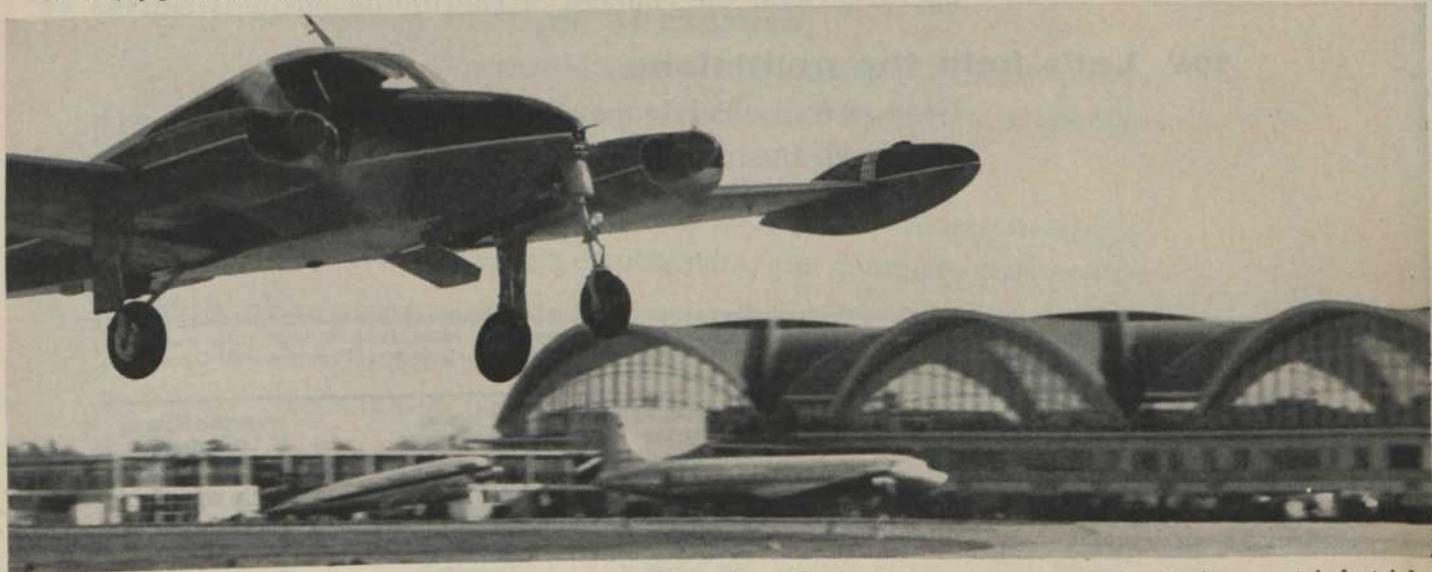
ST. LOUIS...the Strategic



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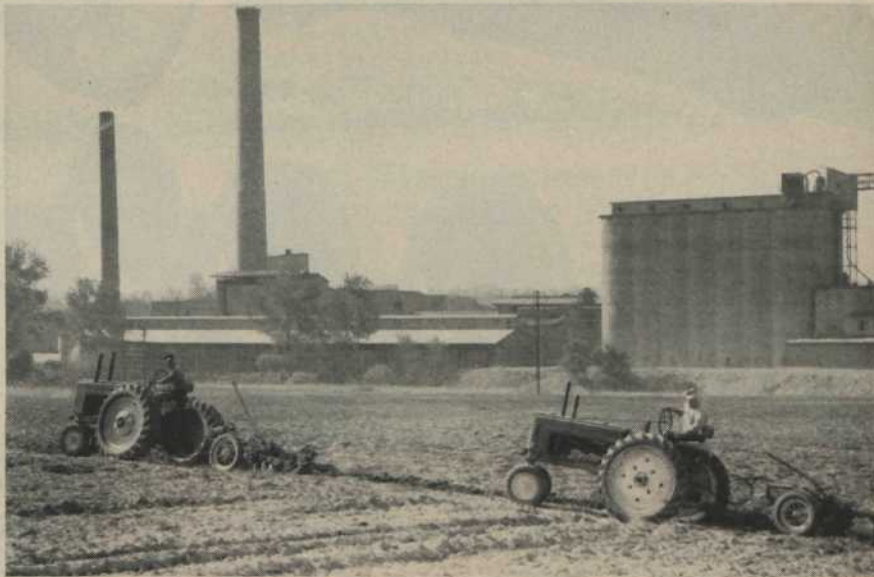
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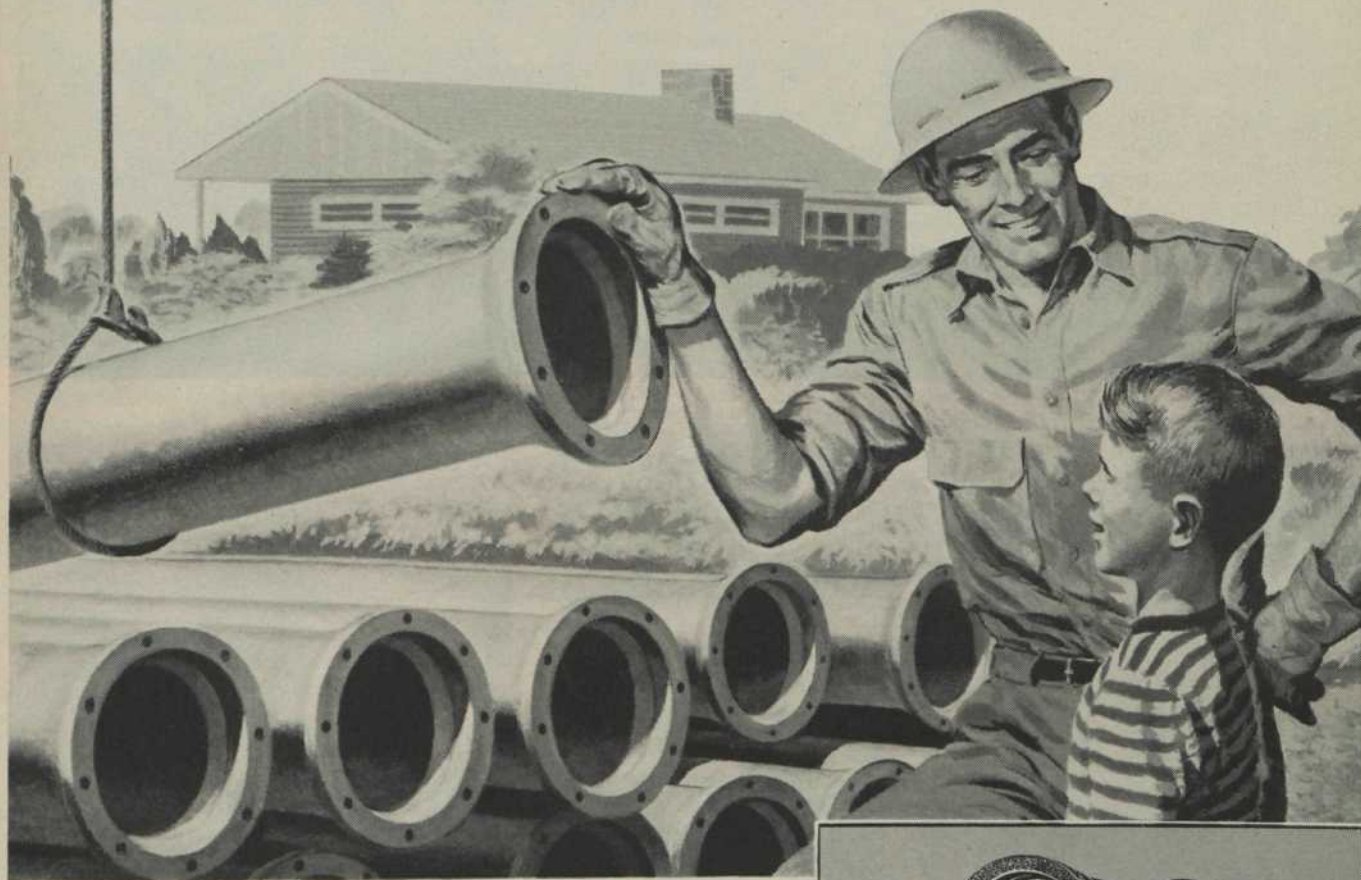
Choice Industrial Sites . . . Industrial development corporations like the Page Industrial Center and the new Meramec Industrial Development Corporation are developing land for commercial and industrial use and have choice sites available for immediate occupancy.

You are cordially invited to write to me for comprehensive information about the Union Electric area or specific information about plant locations. Your letter will receive full and completely confidential consideration.

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J. W. McAfee, President

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management's WASHINGTON LETTER

►GET READY FOR 1959.

It'll be a whopping good year.

You can expect:

Rising demand, bigger volume, better profits--stable growth.

Feeling is growing among economists that next year will see big expansion.

►INSIDE GOVERNMENT, forecasters see:

Total value of goods and services reaching \$440 billion annual rate by end of 1958.

Next year rate will climb faster, go to probable \$470 billion annual rate by late 1959.

Current level's about \$430 billion.

►YEAR AHEAD also will bring problems.

For many industries, for economy as a whole, they'll be problems associated with prosperity.

Example:

Inflation, how to deal with it.

►POSSIBILITY OF NEW economic controls?

None, barring war.

Here's what a high government official told NATION'S BUSINESS:

"You don't impose controls to restrict demand as long as people are out of work."

►OFFICIALS WORRY about inflation.

They fear its impact in 1959.

But they fear impact of wage-price freeze, consumer credit controls more--except in war.

Federal Reserve tools are considered adequate for now.

Is tight money coming? Not this year, despite recent Federal Reserve action.

Considering most likely business trends, Reserve officials don't want to choke off recovery possibility.

This means Fed probably won't press down hard until next year.

Watch unemployment and consumer price index.

If pools of unemployment dry up, price index starts going up rapidly, then look for swift policy change.

►TAX CUT IN 1959?

Not a chance.

That's way it looks in Washington at this time.

But tax increase is possible.

Here's why:

Inflationary impact of soaring federal debt is beginning to worry growing number of high officials.

Two ways to reduce impact are:

Reduce government's spending.

Increase government's income.

Top official tells us:

"Our real hope is that prosperity will boost revenues.

"We see little chance in holding expenditures below \$80 billion.

"But better business ahead could reduce big deficit."

If that happens, there'll be no change in tax rates in 1959.

►RISING GOVERNMENT expenditures may bring federal debt to brink of \$300 billion by 1961. Trends point to:

Prospect of total spending during two Eisenhower terms of an estimated \$575 billion. No other President will have spent as much.

Roosevelt spent \$379 billion, Truman spent \$395 billion.

Balanced budgets?

Roosevelt--none.

Truman--three.

Eisenhower--two so far.

►NEXT BALANCED BUDGET is estimated for fiscal 1961.

Here's an inside look ahead:

Federal deficit in '59 will average about \$1 billion a month.

Fiscal '60 may average \$500 million in red ink each month.

After that, income and outgo could balance. But it's not a sure thing.

Deficit up to \$3 billion is possible for fiscal '61.

What will balance the budget?

Better business.

Estimate is that prosperity can overtake expanding government expenditures about 1961. But budget could be balanced by spending reductions.

Says one high government official:

"If people want it, Congress can balance the budget."

►GOVERNMENT BUYING next year will exceed all peacetime years.

Only exceptions are: Three World War II years, two Korea years.

Outlook is this: From \$50.8 billion

spent by federal government for goods and services last year, annual rate is expected to climb to \$53.5 billion by year's end.

It'll start next year at \$54 billion annual rate, go up from there.

Figure was:

\$46.8 billion in '55.

\$22.1 billion in '50.

\$15.8 billion in '47.

►COMING 12 MONTHS will see changes in price trends.

Here's what to expect:

Probable 1 to 2 per cent increase in consumer price index.

But trend will be caused by forces unlike those of recent months.

During past year, increasing farm and food prices have pulled upward as other sectors of price index have remained relatively stable.

During coming year, farm and food prices are expected to decline while other sectors that make up index climb.

Contributing factor here is upward pull by higher wage costs.

►CAN BUSINESS ABSORB higher wages it will have to pay without raising prices during year ahead?

Look at facts, judge for yourself.

For manufacturing companies, costs a year ago took 90 cents out of each sales dollar.

Now costs soak up 94 cents.

Meanwhile, net profit after taxes is down 41.5 per cent.

Retained earnings?

They've nosedived 74 per cent.

►BUSINESS DOWNTURN has no significant effect on wage settlements.

Record so far this year shows unions are negotiating raises of almost 10 cents an hour.

For coming months, wage increases obtained through bargaining are expected to continue at about that rate.

Projections based on these data show:

Average factory pay will go up to \$2.20 an hour by late next spring.

Rate is \$2.12 now.

►JOBS GO BEGGING--even in pockets of unemployment.

Surveys by U. S. Labor Department

show thousands of jobs are going unfilled.

But jobless workers lack skills.

Examples of workers most needed:

Machinists, bricklayers, stone masons, tile setters, electronics technicians.

In addition, there's need for:

Social and welfare workers--800 jobs open.

Nursing--850 jobs available.

Engineers--2,900 openings in civil, electrical, mechanical engineering.

►LONG-RANGE PROJECTION of worker needs is coming.

Many states are making estimates in cooperation with Labor Department.

Data may be ready by early winter.

►REMAINING MONTHS of 1958 will see more people working.

But jobless number won't change much until late in the year.

After that, business pickup will gain momentum and next year will see lower number out of work.

Forecast is based on projected economic developments for months ahead.

►UNIONS CONFIDENTLY EXPECT their biggest political victory in 10 years.

Political drive this fall will be hardest ever in an off-year election.

Here's a preview of how their campaign will be run:

Activity will center in six states where referendums on right-to-work will be held (see page 40).

These are Ohio, California, Washington, Idaho, Kansas, Colorado.

Eighteen states now have work laws.

In congressional races, unions will strive to increase their strength of more than 200 friends-of-labor in the House, 45 in the Senate.

Fight will focus on 139 marginal House seats.

In Senate races, labor will try to defeat 16 senators considered unfriendly, help re-elect 18 considered allies.

►SOME UNION LEADERS are disturbed by James R. Hoffa's plans for uniting all unions in transportation into a single conference.

What they fear is this:

Monopoly power to halt all nation's

transportation systems could invite legislation from Congress that would affect all unions.

AFL-CIO Executive Council has barred its unions from dealing with expelled Teamsters. Railroad brotherhoods want no part of Hoffa's plan either.

Nevertheless, Hoffa's activity in this direction will be a continuing problem for almost all business--in and out of transportation--and the public.

► **TENSION IS MOUNTING** at China's doorstep.

Example is Malaya, where a third of that country's budget goes into war against communist-aided rebels.

Active war now in tenth year could explode any time, spread to other areas of Asia, involve U. S. troops.

Though Malaya's getting no direct defense aid from U. S., officials in Washington are deeply concerned that action could become another Korea, another Middle East.

Supported by Red China, rebels strike from dense jungles, withdraw when battle tide swings against them.

Washington observers see growing danger if China steps up help to rebels.

Here's importance of Malaya to us:

As buyer of our goods--purchases this year expected to reach all-time peak.

As supplier to U. S.--we get more than a fourth of her natural rubber and 70 per cent of her annual tin output.

In addition:

U. S. recently granted \$10 million to Malaysians for port facility development in North Klang Straits.

► **MALAYAN OFFICIALS** here expect subversion in their country to increase.

But they are confident of checking it.

Biggest threat, they say, is communist bloc's drive to undermine economies of small nations, make them dependent on trade with Soviet bloc.

► **CAN CANADA SWITCH** 15 per cent of her U. S. trade to other countries?

Prime Minister Diefenbaker is trying. Background:

Of Canada's \$5 billion annual exports, \$3 billion worth is sold to U. S.

Canada buys \$4 billion worth from us each year.

Conference is scheduled for midmonth at Montreal to tackle problem of boosting trade with Commonwealth nations.

Here's a look at prospects:

Australia seeks to increase trade with non-Commonwealth nations, notably Japan.

India, Pakistan, Ceylon are primarily interested in getting help with their development programs.

Malaya, Ghana are looking for customers not only to buy their products but to give them investment capital.

Britain buys more from Canada than she sells, and is dollar-shy.

Outlook: Diefenbaker plan to switch significant portion of trade away from U. S. won't succeed.

► **A COMMON MARKET** for Latin America is a possibility for the future.

Support among Latin Americans is growing.

Central American common market is already under way.

You can expect a high-level meeting of American nations within months.

Objectives:

Strengthen unity among hemisphere nations, spur Latin American economic development, block communist infiltration.

Here's what's ahead:

U. S. will make more vigorous effort to meet Latin American grievances.

U. S. will try harder to dispel notion that it supports dictators.

Private capital will be encouraged to lead attack for economic development in South America.

U. S. concern over stable prices of Latin American commodity exports will grow.

But radical policy shift in favor of international commodity agreements is not in sight.

► **NEW GOVERNMENT SURVEY** shows how localized business recession has been.

Findings disclose this pattern:

Three fourths of decline in nonfarm and factory employment occurred in eight states. They are:

New York, Pennsylvania, Illinois, Ohio, Michigan, New Jersey, Massachusetts, and Indiana.

These are hard goods producing centers, areas hit hardest by downturn.

Letters from businessmen

Too many won't listen

When you publish an editorial such as this ["Here's the Road to Absolute Security"], don't you have a feeling of futility? For every one who will read it and heartily agree with it, there must be hundreds who don't even understand the language. Some of them were born to government benevolence and know no better.

But some, in their forties as I am, and many who are much older, have seemingly completely forgotten the happy days when, if you fell on your face, you never looked around to see who tripped you.

We find we simply cannot talk to people about being independent—they don't know what you mean; they don't hear, the words are foreign. But what can we expect when everything every day tells them that to be independent is to be insecure? Security! It takes all the fun out of life.

MRS. DAVID KENFIELD
Columbus, Mont.

Lesson for us

Thank you and Felix Morley for including "The State of the Nation" in the July issue. I prize it so much that I'm having it removed and filed for reference.

Would not the word "republic" more accurately have described our form of government in the subtitle "French disaster holds lesson for U. S. in making democracy work?"

F. E. SCHUCHMAN
President
Homestead Valve Manufacturing
Company,
Coraopolis, Pa.

►Republic would have been technically more accurate.

Too late for toe

The article "Business in Politics" is amazing in that it—for the first time—sets forth the necessity of leading business to water in the matter of political action.

The mere fact that such an article should be of interest to and on the level of businessmen of America is a sad testimonial to the inadequacy with which the believers in our governmental philosophy have met and plan to meet the imminent crises in

the propaganda war waged by labor-socialists in our own country.

The six points in the in-plant seminar appear to one experienced in tactics to influence opinion and thinking along the lines of political action as a hesitant first-lesson YMCA youngster testing pool water with a big toe.

The time is past for testing the toe. Now is the time for the plunge if we are ever going to make it. Business has held off on political activity too long. Seminars are fine, but don't let them stop for testing; shove them in. It feels fine once you're in.

JESSIE LANNING

Secretary
Kern County Property Owners
Association, Inc.,
Bakersfield, Calif.

Doubles salary

Your material is appearing again and again before me in any management study that I undertake, so I feel compelled to show my appreciation for the job your organization is performing.

It is impossible for you fully to realize the importance of your work to those who are striving ahead in this country today.

The reprint on "Teach Yourself Management Skills" was the basis of a speech which gave me an opening to double my salary.

ALAN W. GRAHAM
Sault Ste. Marie,
Ontario, Canada

1958 elections

Your article "Labor's Political Machine Goes to Work" is a fine summary on the topic. It is my theory this year that G.O.P. candidates should run against Walter Reuther et al.

WALTER E. QUIGLEY
Minneapolis, Minn.

Using cliques

The article "Put Cliques to Work for You" in your August issue is about as ridiculous as the writer has observed in any major business publication.

The social scientists show little knowledge of modern management

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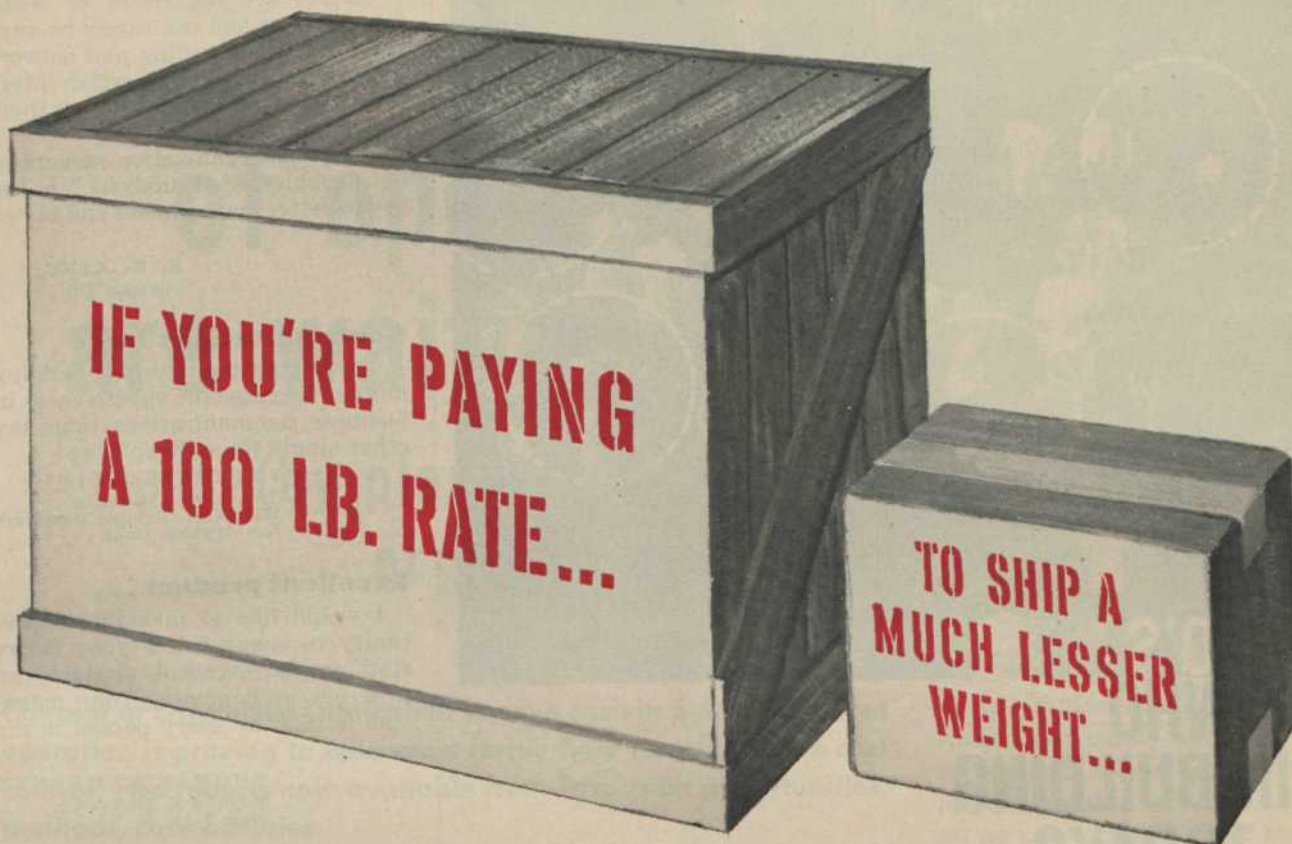
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SHIPPERS



THEN YOUR SHIPPING DOLLAR IS BEING "TAKEN FOR A RIDE"

Some airfreight and truck carriers today advertise so-called "bargain" rates which actually impose *higher* minimum weight charges

and mean *less* service. Be sure you compare Railway Express rates *and service* before you ship with any other carrier.

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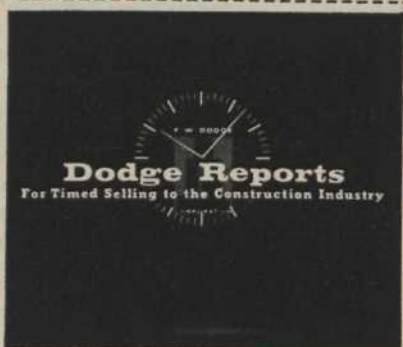
- ☐ House Construction ☐ General Building
☐ Engineering Projects (Heavy Construction)

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City _____ Zone _____ State _____



and its trends when writing, "the possibility of better management of informal organizations as the next great break-through in management theory and practice."

Cliques are the result of weak management and can rarely be anything but a disturbing and subversive element whose own selfish interests precede the interests of their company.

A strong organization structure, not "sophisticated analysis," is the key to better management and better profits.

R. B. KING
Chicago, Ill.

Communications force

Your magazine is probably doing more to increase the effectiveness in business communications than any other single force. Keep it up!

THE LETTER CLINIC
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Los Angeles, Calif.

Excellent product...

I would like to take this opportunity to congratulate your entire staff on the excellent product you turn out each month. Your magazine is read by every person in my employ...

THOMAS W. MEANEY
Edward E. Hall & Co.
New York, N. Y.

...yes...

I have enjoyed your magazine second hand for several years, and would like to have a one year subscription...

B. W. CARMICHAEL
President
Empire Door, Inc.
Denver, Colorado

...no

I received the first issue a couple of days ago and wish to inform you without reservation that I never read a trashier bunch of senseless drivel in my life.

Please cancel my subscription effective at once...

VERNON R. KRAMER
Kramer's TV-Radio Service
Aurora, Ill.

Higher profits

The May issue had a very interesting article entitled "How to Sell for Higher Profits." I would greatly appreciate 10 reprints.

C. J. MILLER
General Electric Co.,
Manager,
East Central District,
Cleveland, Ohio

... An excellent summary of sales technique.

GEORGE V. BERNARD
Scott, Foresman and Company,
New York, N. Y.

Millions of operating dollars are waiting to be saved

(by plant managers who adopt
organized lubrication)

Concept of Organized Lubrication to save cash in 5 areas of plant operation is proving to be a most fertile field for plant-wide cost control. Two reports now available from Texaco on opportunities, methods, case histories.

"Millions of dollars have already been saved in the operating costs of plants where management has recognized the importance of lubrication and has organized planned lubrication programs. Millions of dollars are waiting to be saved in plants where management has not yet become aware of the benefits of organized lubrication."

The entire July, 1958, issue of *Lubrication* magazine is devoted to "Organized Plant Lubrication." The statement above summarizes the issue's findings.

In effect, this and other writings on the subject reflect the fact that here is a relatively new and certainly fertile field for real cost savings in plant operations.

There's enough evidence in to cause excitement among the experts. Among the experts are the men who are putting Organized Lubrication to work—the plant managers and their team of engineers.

For, in assuming the large burden of satisfying the corporate measure of profit and loss on their units, plant managers have been quick to adopt

new concepts and practices that result in plant-wide savings, such as planned overhaul, professionalized purchasing and organized quality control.

Most of these have been cost-controlling programs. So is Organized Lubrication. From the evidence in so far, this can prove to be one of the most fertile of the new plant managing practices.

Why? Because Organized Lubrication can create cash savings in five ways; in inventory, production, downtime, maintenance and equipment life. Once adopted as plant practice, Organized Lubrication is placed in harness by plant engineers, production superintendents, maintenance superintendents, and purchasing agents.

Let's acknowledge now that lubricants alone, no matter how excellent, are not the secret; rather, it is the setting of goals, the organizing of methods, and the expertness of men who can combine a knowledge of this new opportunity with an understanding of plant practices and lubrication.

In plants throughout the country

Texaco's planning book has been studied and put to use. Some large corporations have adopted its recommendations on a staff level, or have set up committees to study the subject. Many plant units report savings from 10 to 100 times the cost of the lubricant used!

If you are a member of a plant operating group, or if you are concerned with cost control in many plants, you will find this subject well worth an introductory 10 minutes or so.

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PROGRESS:

New market data coming from census

Information never before available
will be collected in 1959 and 1960

BUSINESS' JOB of forecasting trends will be made easier with the completion of the U. S. Commerce Department's six nationwide censuses in the next two years.

The Bureau of the Census will gather new information concerning business, manufacturing, mining, agriculture, housing and population. This will be the biggest headcount in our history, not only because of the increase in the number of people, but because of additional information that will be gathered.

Some of the new information will show:

- ▶ The number of commuters and the method of transportation they use.
- ▶ The number of automobiles a family owns.
- ▶ When the family last moved.
- ▶ When and at what a person last worked.
- ▶ The number of families having air conditioning, dishwashers, freezers.

There will be available information which can help businessmen decide on new plant location, forecast new market areas, see areas for concentration of sales, and do a host of other things.

As Howard C. Grievies, assistant director of the Census Bureau for economics, told NATION'S BUSINESS, "The uses of census information by businessmen show amazing variety. No one knows all the purposes and uses made of the information. Each year we discover how people are using it differently."

Beginning in January and continuing for 18 months, the Census Bureau will conduct six nationwide censuses which will provide a new set of statistics. The first of the censuses will be the three on economics—busi-

ness, manufacturing and minerals. Results of these will begin coming out in the early fall of 1959. They will cover this present year. By law, the economic censuses are taken every five years, covering the years ending with "3" and "8".

The Census of Business, begun in 1929, includes wholesale and retail establishments, services, amusements and hotels.

It does not cover transportation because the Interstate Commerce Commission, for one, collects much information in this field. Information on banks and financial institutions is covered to a large extent by the Federal Reserve.

The three economic censuses will cost about \$16 million, including the recent pay raise for government employees. They will involve the processing of 3 million forms. The greatly increased use of electronic data processing equipment and the collection of reports by mail rather than by field canvassing has reduced the number of employees doing this work from 8,000 to 1,500 in the past 10 years. The cost has been cut by one third, also, in that same period, Mr. Grievies says.

The information is collected directly from the companies with paid employees and from the tax returns of those not hiring. Mr. Grievies says that one of his bureau's biggest headaches comes from the five per cent who procrastinate in filing their information.

The government itself is one of the heaviest users of the census information. Congress uses the population figures for determining the number of representatives from each state. Preliminary estimates made by the Census Bureau recently indicate, for instance, that California may gain representation and Pennsylvania,

LET US PLACE ON YOUR DESK **FREE...** THIS UNIQUE SCIENTIFIC STUDY* SHOWING

How Four Companies Saved Thousands of Dollars on Payroll Costs

AND INCREASED PRODUCTION AND PROFITS

A SIMPLE way for management to get more out of payroll dollars is demonstrated in a new study. Conducted independently, it scientifically measures the value of music by MUZAK.

Here, briefly, is what music by MUZAK accomplished in four cases:

CASE NO. 1 — An INCREASE of 8.03% in the productivity of clerical workers in the direct-mail department of Prentice-Hall, Inc., Publishers — producing a net yearly savings substantially in excess of MUZAK's modest cost.

CASE NO. 2 — A REDUCTION of 38.6% in typing errors in the accounts payable office of Lever Brothers Co.

CASE NO. 3 — Employee Turnover DECREASED 53.3% in the New York Reservations Office of Eastern Air Lines. Also noted: a 7 count improvement in the quality of worker performance.

CASE NO. 4 — An INCREASE of 18.6% in the key-punch production of the Mississippi Power & Light Co. Also noted: a 37% decline in errors, time required to process bills decreased 16%.

How MUZAK Affects Profits

These remarkable results are now detailed in an interesting booklet that will be sent without cost or obligation. It is called **HOW MUZAK AFFECTS PROFITS**.

It is a unique case book because (to the best of our knowledge) it includes the *first* statistically reliable management engineering studies that measure savings resulting from environmental changes in work areas. It explains the diversity of problems solved, the wide range of benefits available to management, facts and figures that may suggest a way to increase payroll savings and profits in your own company.

Four Unique Features That Make MUZAK Different from Ordinary "WORK MUSIC"

MUZAK has spent 20 years perfecting the *scientific* way to meet the minimum requirements of a successful work-music program. It brings you these four unique features that are needed to do the job:

YOU NEED A SPECIAL KIND OF MUSIC which is "heard but not listened to" — which stimulates without distracting.

YOU NEED SCIENTIFIC PROGRAMMING to suit the time of day, place, and type of work activity. MUZAK employs sound psychological techniques to counteract normal daily trends of worker fatigue, offset monotony, raise efficiency.

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YOU NEED A COMPLETELY AUTOMATIC SYSTEM which avoids the cost of assigning personnel to it. A flick of the switch starts MUZAK.

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FREE COPY — "How MUZAK Affects Profits"

This unique book includes scientifically measured effects of MUZAK on productivity, accuracy, turnover, quality of work — savings and profits. It is yours for the asking. Simply mail the coupon and you will receive a copy without cost or obligation of any kind. MUZAK Corporation, Dept. 69, 229 Fourth Ave., New York 3, N. Y.



*MUZAK—Reg. U.S. Pat. Off.



MUZAK Does So Much . . . For So Many Kinds of Business

FACTORIES AND PLANTS note a definite improvement in production and efficiency. They also report less internal friction.

BANKS find it pays to provide MUZAK both to customers and to employees. It creates a "nice to do business here" atmosphere . . . and, by relieving Worker Tension, aids concentration of clerical workers.

OFFICES find that MUZAK relieves the tensions caused by "noise fatigue" in rooms filled with the clatter of office machines. MUZAK penetrates noise barriers, masks out unwanted sounds.

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The first three studies included were conducted by the Management Engineering Firm of STEVENSON, JORDAN & HARRISON, INC. Its investigations were conducted without influence or interference by MUZAK Corporation and under study conditions satisfactory to the

survey consultants. The *fourth* study was independently made by an executive of a large southern public utility. These studies recognize the fact that no two work groups are alike. Therefore, wherever possible, in each of the studies measurements were made of groups comprised of the same individuals both before and after the introduction of MUZAK.

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Company.....

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Street.....

City & Zone.....State.....

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PURPOSE *Sales Presentation*

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FLYING



DATA FROM CENSUS

continued

among others, may lose some seats in the House of Representatives. The government uses the statistics extensively in planning new programs and evaluating the effectiveness of those in existence.

Business uses of the statistics vary tremendously. The American Marketing Association told the Census Bureau it uses the information for economic or sales forecasting, analysis of market potentials, analysis of distribution, layout of sales territories, analysis of sales performance, location of plants, warehouses, and stores, and determination of samples in marketing research studies.

A Census Bureau publication cites other uses: "A department store which planned a suburban branch studied the suburb carefully before it invested money. It found out how many other stores were in the area and how much business they did. It examined the population statistics to determine how many people lived there, and whether another retail outlet was justified. Finally, it studied the people—particularly their incomes and personal characteristics—to decide what kinds of merchandise could be sold."

In addition to the five-year Census of Manufactures, the Bureau does a sampling survey in every year the census is not taken. It also collects monthly, quarterly or annual data on commodities.

Its "Facts for Industry" service covers more than 2,000 individual commodities, ranging from shoes to truck trailers.

To keep up with business statistics between censuses, the Bureau publishes a monthly "Wholesale Trade Report" and "Retail Trade Report."

The number of census tracts in cities of 50,000 or more has been doubled since 1950, raising the total to 23,000. About 5,000 persons will be included in a census tract. This will permit a businessman to pinpoint more accurately the activity in his area.

A great deal more sampling will be used in the upcoming population and housing census than before. Every household will be asked some of the basic questions, but only about 25 per cent of the people will be asked the more detailed items.

The Census of Agriculture will be started in the fall of 1959, and the population and housing censuses will be started in April, 1960.

They will cost about \$110 million.
(continued on page 21)

Planning a plant in New Jersey?



If you are planning to take advantage of New Jersey's incomparable advantages for industry. The National State Bank of Newark can be extremely helpful with its knowledge of the opportunities offered in the Newark area. Our 18 banking offices and ample resources offer you every banking service. And our 146 years of experience in helping New Jersey business grow is at your service! A National State representative will gladly call, if you wish. Write to our Business Development Department.



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Why a truck earns more when it's "Built like a Mack"

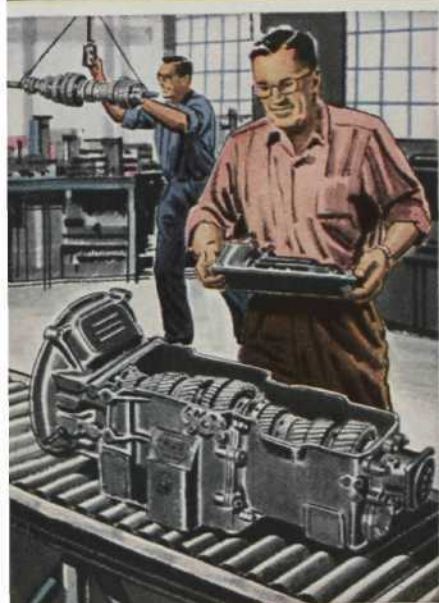


Construction men often tell us that "as the trucks go... so goes the job." They know their expensive cranes, pavers or shovels earn far more when trucks run on schedule and materials arrive on the dot. And they say that Macks,

above any other truck, provide the power, speed, traction and dependability that keep all their other equipment hustling for months on end. "Built like a Mack" means more profits to construction men... as it does to any truck owner!

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If you want it done right—do it yourself! That's why Mack builds and exhaustively tests its own engines, transmissions, differentials, cabs, suspensions and axles. In fact, Mack controls its quality by building more of its major components than any other automotive maker. And all Mack components work in vibration-free, life-prolonging harmony with each other.



...with Mack-built transmissions

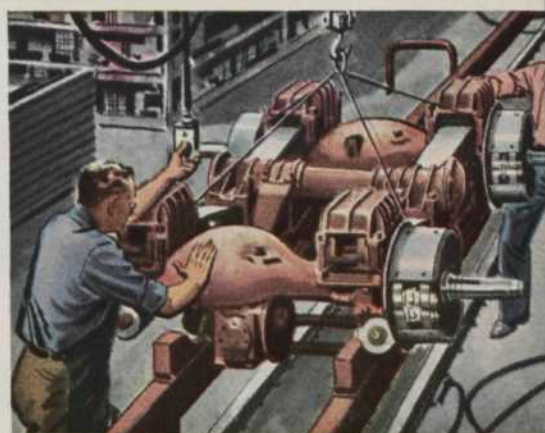
Mack transmissions — like this 20-speed unit — run far longer, need less attention than any others, thanks to famous Mack metallurgy, precision manufacture, and exclusive Tetrapoid® gear design in which maximum strength, durability and quiet running are maintained in optimum balance.

Ask a Mack user soon. See why so many successful contractors and haulers say that two Macks can often outwork and outearn three or more competitive units on demanding jobs.

It's part of the language... Built like a



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Here's why Macks take the toughest jobs in stride. Macks work where other trucks bog down, thanks to exclusive features like the Balanced Bogie with Power Divider—our four-wheel, rear-axle drive that distributes engine power equally to the wheels having traction.



La Concha opens this fall. That unique roof will shelter its oceanside night club. Photograph by Tom Hollyman.

Why U.S. enterprise is building seven new hotels in Puerto Rico

Our photograph shows La Concha, one of the seven new hotels now going up in Puerto Rico.

Each of these hotels is a clear vote of confidence in Puerto Rico's economic future. Together they add up to a long-term investment of nearly twenty-five million dollars.

Still more hotels are in the planning stage. They will be needed. Within

five years, travel to Puerto Rico has doubled. It is still increasing by leaps and bounds. More than 200,000 people visited this Caribbean paradise in the last twelve months.

Some came for pleasure. Some for business. Already in 1958, fifty-four U. S. manufacturers have decided to open new plants in Puerto Rico. Why not fly down for a reconnaissance?

Looking for a plant site?

Tell us what your product is. We can then explain how Puerto Rico's remarkable ten-year tax holiday, and many other advantages, can increase your profits. Write Commonwealth of Puerto Rico, Economic Development Administration, Dept. NB-84, 666 Fifth Avenue, New York 19, N.Y.

DATA FROM CENSUS

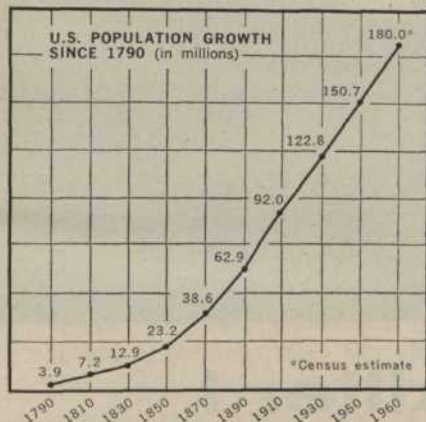
continued

Even though the population will have increased in 1960 by an estimated 30 per cent above 1950, the cost of the census taking will remain about the same per capita.

Dr. Conrad Taeuber, an assistant director of the Bureau, in commenting on the difficulty of staying within a predetermined amount of money in conducting the census, said that an additional question on the census can cost anywhere from \$25,000 to \$500,000.

Dr. Taeuber predicts the new census will show a population increase to approximately 180 million in 1960, up from 151 million in 1950.

He says the census also will probably show: continued movement of people out of rural areas and out of the South to cities and to the West, notably California; an extremely heavy increase in the number of working wives, due partly to the younger marrying age and early age at which family rearing duties are over, coupled with an increase in desire to own items such as dishwashers and freezers; rapidly growing population over 65 and under 15; no real change in the size of families, but more families; less doubling-up



of families in one dwelling; a big increase in the number of houses and apartments; increasing level of education; rapid economic and social gains by Negroes; continued suburban growth; great upgrading in new housing; increase in numbers of men between 65 and 70 who are retired for one reason or another; and increase in the number of service and technical occupations.

For agriculture, Dr. Taeuber says the trend is definitely toward fewer but larger farms, with approximately the same total farm acreage. He expects an increase in farm equipment and an increase in farmers' mortgage debt. He says that more farmers will own part of their land.

END



Our budget nearly went up in smoke (Until Mary Brought in the Osmefan)

Nothing galls our Financial V.P. like the smell of a strong cigar. Recently, while reviewing our budget, I made the mistake of lighting up my favorite Havana. The V.P. took a deep breath, gagged, and our budget and three months work nearly went up in smoke.

But Mary, my wonderful secretary, in her usual efficient manner, quickly brought the problem under control. She slipped into my office with the Airkem Osmefan that we normally use in the file room to get rid of stuffy odors. She plugged it in and in no time at all the room was smelling clean and fresh. The V.P. relaxed and we got our budget.

If cigar or cigarette smoke, mustiness, stuffiness or other office odors are tainting the air around you, it's time you called your

Airkem representative. He specializes in making the indoor air pleasant, clean-smelling and easy-to-work in. Countless firms use Airkem in both air conditioned and non-air conditioned areas such as board rooms, offices, file rooms, eating places, sales floors and restrooms. Other Airkem products will help protect your personnel from disease while keeping your business area clean and bright.

To see how Airkem can help you, write for their provocative new booklet "Is Air Hurting Your Business?" For group meetings, Airkem has an interesting 30-minute motion picture film or a colorful 15-minute strip film. Both are available on request. For complete details, mail in this coupon today.



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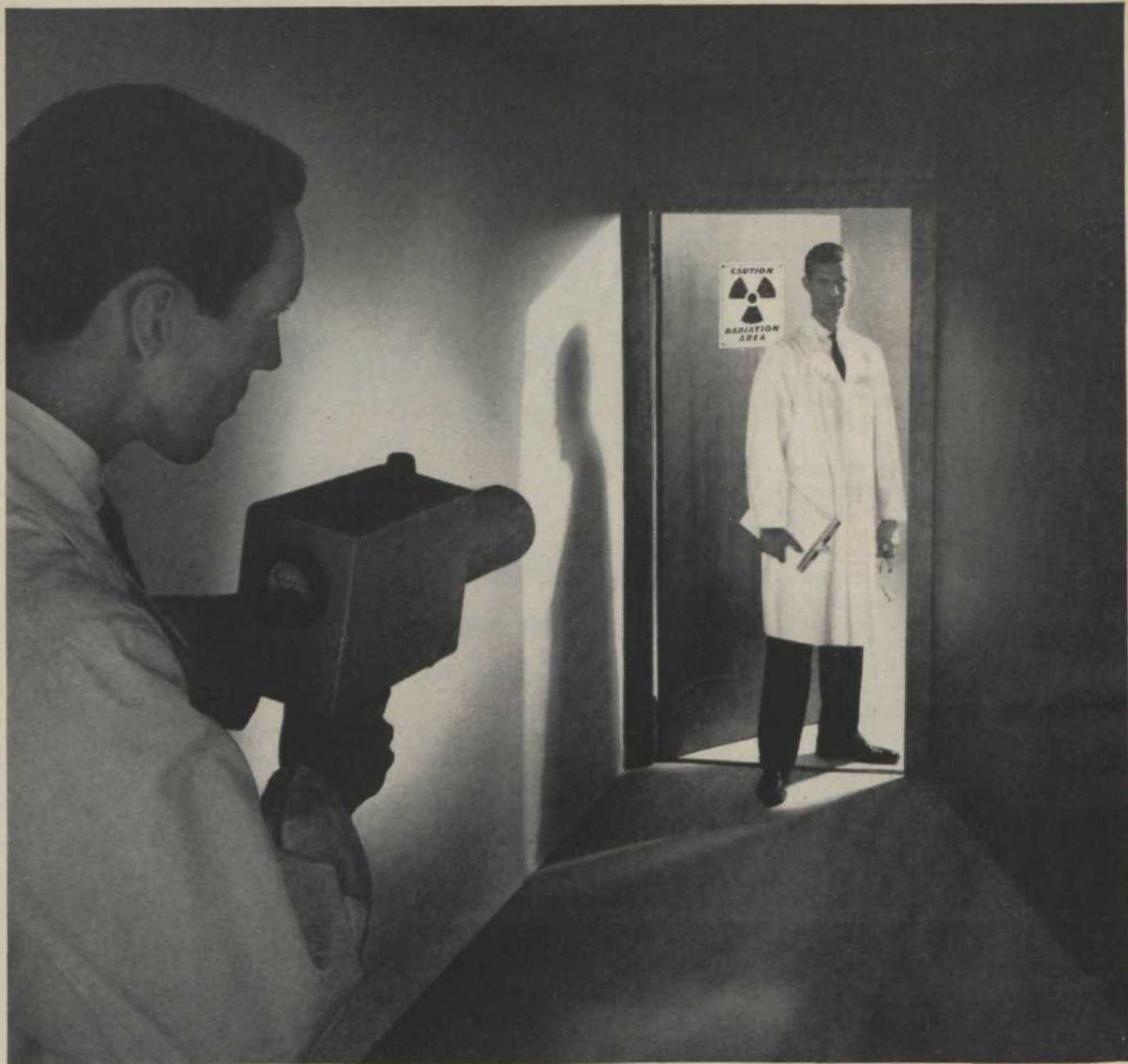
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To regain leadership, put disciplined competition back into schools

THERE'S SOMETHING DIFFERENT about the opening of school, this September. Always, of course, that dismal recurrence has been of major concern to small fry, dragged from happy barbarian freedom to an incarceration not less resented because its disciplinary aspect has become more and more relaxed. But this year the traditional classroom war will not be fought out by teachers and pupils alone. There are no longer any neutrals. The conflict has become total. Elementary education is now recognized throughout the United States as everybody's problem.

That development has been shaping ever since the triumph of the theory that public education should be entertaining rather than disciplinary. But the big stimulus came just after the schools opened last year, when the Russians scored one of the greatest scientific triumphs of all time with Sputnik I. Nobody, civilian or military, could discount the import of this tremendous accomplishment by people toward whom we have rather readily assumed superiority on every count. And it was inevitable that the shock to our national self-esteem, at being so clearly the laggard in the missiles race, would soon be transmitted to the field of education. As the twig is inclined, the tree is bent. Achievement at the top is unlikely, if not impossible, unless the base is sound.



For a long time there has been rather more than a suspicion that the basis of public education in this country, once unquestionably firm, is decoratively painted but rotted underneath. Parents have been startled to find that Johnny has difficulty in reading; that Mary's spelling is atrocious; that neither of them can cope with even simple arithmetic. Employers have been shocked by the virtual illiteracy of high school graduates whose diplomas nevertheless rate them as satisfactory. The colleges complain that they must either reject applicants

wholesale, or else spend time on instruction which should be superfluous for any freshman. Thousands of draftees prove useless to the Army because of incapacity to show initiative of any kind. In all these cases the blame, rightly or wrongly, has been centering on the schools.

The "educationists," as public school administrators like to call themselves, have in large measure reacted on the old theory that the best defense is an attack. Criticism of their product comes only from "enemies of the public schools." If that doesn't serve, then: "There's nothing wrong with the schools that money can't cure." The "progressive" system is just what the name implies and any superficial trouble roots in the underpayment of teachers and the inadequacy of facilities. A few billions more of annual expenditure, to be obtained through the seemingly painless device of federal aid, would soon set straight anything which, to

By Felix Morley



FRED J. MARCON

TRENDS continued

those who do not understand the full *mystique* of streamlined educational theory, may perhaps, through distorted vision, seem a trifle askew.

During the past year, however, the two major deficiencies in this line of argument have been rather ruthlessly revealed. In the first place it simply is not true, except perhaps in a few rare and exceptional instances, that the schools are suffering from lack of generous local support. In the second place, even if the schools could properly claim to be half-starved, there would still remain strong and well reasoned antagonism to steps leading to their operation and control from Washington. If there is any function of local government which the American people propose to keep that way, it is that of education.

This determination owes much to the ill advised attempt of the Supreme Court to force integration, in sections of the country which obviously are not prepared to accept it, by mere judicial decree. The Little Rock fiasco, followed by the sweeping popular indorsement given to the recalcitrant governor of Arkansas, is unmistakable evidence that there are states which simply will not accept centralized dictation, even at the point of the bayonet. Virginia has served notice that, rather than surrender on this issue, it will abolish all public schools. And that has really been a shock to the educationists.

They had never reckoned with the argument that no public schools at all are preferable to those which arouse the antagonism of the communities they are supposed to serve.

It is only in recent years, of course, that the church surrendered its historic control of education to the state. And separation of church and state in no way implies that the latter must assume the responsibility. It is, therefore, a matter of great significance that among the new private schools now springing up throughout the country, so many are church-connected.

This in itself is evidence that, in spite of adverse conditions, funds can still be found locally for schooling, provided it is in accordance with enduring standards and not discordantly keyed to shifting sociological whims.

As a matter of fact, money has heretofore been most freely forthcoming for the public schools. In a current study which is attracting much attention, Roger A. Freeman, a recognized expert on school financing, shows that the public schools are anything but undernourished. Their cost is currently running at more than \$16 billion a year, which is

both far above and mounting more rapidly than that of any other field of expenditure except national defense. And only one quarter of the present rate of increase can be explained by increased enrollment and higher prices. In constant dollars the cost of educating a public school pupil today is approximately six times what it was in 1900. Nobody will pretend that the instruction now is six times as good as it was then.

One of the many myths exploded by Mr. Freeman is that a great turnover of teachers results from their allegedly depressed status. His investigation shows that most of the women who give up teaching do so to get married, while many of the men go on to administrative educational work not classified as teaching. The large and increased load of well paid superintendents, supervisors and other executives, of course, absorbs much of the tax money that might better go to the actual teachers. Even so, their salaries have been rising, during the past 30 years, at a faster rate than that of almost any other profession, while the average number of pupils for whom each teacher takes responsibility has steadily declined.

Mr. Freeman's refreshingly factual study, sponsored by the Institute for Social Science Research, does not probe the qualitative side of our public school instruction. But here, too, there have been some highly revealing investigations. One that is as striking in its implications as it is modest in scope was made by the School of Education of the University of California. It is: "A Comparison of Achievement in Arithmetic in England and central California," based on an identical arithmetical test given to a cross-section of 3,191 English 11-year olds and 3,179 public school pupils of the same age in California. There were 70 test questions. Of these, 428 of the English pupils answered more than 53 correctly. Not one of the California children got more than that number right. Prof. G. T. Buswell, who sponsored this backlashing test, defends the Golden State by saying there "is no reason to assume" that any other would have done better. But he concludes: "The question for the public to decide is whether it is satisfied with this outcome."

Quite clearly, the answer is in the negative. Our public schools unquestionably lead the world in the number of courses offered on beauty care, date behavior, stagecraft, square dancing, pep club and other "life adjustment" subjects. But in such fundamentals as the three R's our standing has sunk as fast as the cost of the frills has risen. The counterattack of the educationists—to prove that money alone is lacking—has fallen flat. As the schools reopen, the time for meeting the issue squarely is at hand.



Green Bay Press Gazette Photo

"Here's how I stayed in business after a very bad fire!"

says Mr. Henry C. Pahlow



Pah-low's Luggage &
Leather Goods
Green Bay, Wisconsin
Hardware Mutuals File
No. 3-16W1792

"Within a few hours after the firemen brought the blaze under control, I knew that my stock was badly damaged and my store would have to be closed.

"As I watched volunteers pile this stock out in the street I felt some comfort in knowing that its value was protected by a fire insurance policy I have carried for many years with Hardware Mutuals.

"But I could see the weeks and months of work ahead before I could reopen my store. I would lose my profitable Christmas business... as well as my regular season sales.

"I knew my business earnings policy would cover my loss of earnings until normal operations could be re-established. Believe me that was a great relief.

"In addition to advancing us funds to meet current operating expenses, Hardware Mutuals promptly paid us everything we had coming under the terms of our policies... \$38,034 to replace my stock and \$15,334 that paid the expenses during the 82-day renovation period, including the profits I would have had if the fire hadn't occurred.

"By all means, I urge all retailers to have the security of a sound business insurance program... including earnings insurance."

Outlining an adequate plan of insurance protection is but one of the many personal services of Hardware Mutuals policy back of the policy®.

Earnings are your business. Earnings insurance protection will keep your business alive. Find out how little it costs.

Insurance for your AUTOMOBILE... HOME... BUSINESS

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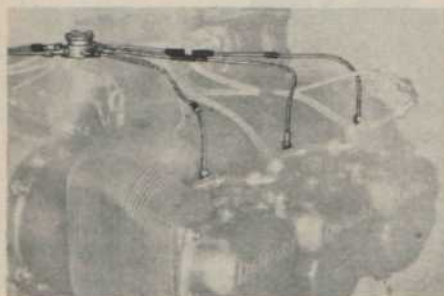
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This 4-place Beechcraft Bonanza, with a non-stop range of over 1,000 miles, cruises at 200 miles an hour, yet uses less fuel than your family car.

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Found: More Top Men with this "Go-Farther-Faster" Beechcraft



New! Fuel injection, a Bonanza exclusive, gives more power, speed, better fuel distribution for longer engine life.

You have an important job to be done hundreds of miles away. It means profits for you. Who to send? The top man for that job, of course. But top men are busy men. That's why so many Beechcraft owners are using their planes more than ever before. In effect, it gives a company more top men.

How about a Beechcraft to help your profits? With a Beechcraft Bonanza "on alert", you can send the top man for any job farther, faster, more profitably.

As the Bonanza leaves the runway, the stout thrust of power tells him that here is an airplane second to none. Relaxed and comfortable in the Bonanza's quiet cabin, he can restfully study out the job ahead. He arrives fresh and ready—a top man in top condition.

Ask your Beechcraft distributor or dealer, this week, to tell you about the low cost of putting a "go-farther-faster" Beechcraft to work in your business to help you earn extra profits.



Reclining seats and lots of stretch-out room for every passenger make the new Beechcraft Bonanza a traveler's dream.

For information about the Bonanza and the finest leasing and financing plans in aviation, see your Beechcraft distributor or dealer, or write Beech Aircraft Corporation, Wichita 1, Kansas, U. S. A.

Beechcraft

SUPER 18

TWIN-BONANZA

BONANZA

TRAVEL AIR



BEECHCRAFTS ARE THE AIR FLEET OF AMERICAN BUSINESS

Washington mood

Ike's words replace recession as Democratic campaign material

SOME ECONOMISTS may disagree, but the Republican Party says that the recession is over and that good times are ahead.

The Republicans have even started to taunt the Democrats for ever having thought of making the recession an issue in this year's congressional elections.

Listen to Meade Alcorn, chairman of the Republican National Committee, as he talks to party workers in Denver and Salt Lake City:

"The consensus among economists is that the national economy is definitely heading upward again. It appears that the President was right both in his assessment of the economic situation and his methods of combating a business decline . . . The wisdom of the Eisenhower antirecession program, as contrasted with the frantic proposals of the Democrats, is now being demonstrated.

"I am sure you have observed that the Democrats have all but dropped the recession issue in recent weeks. Even Harry Truman has become silent on this matter. I don't believe we'll hear much about it in the future. . . ."

Chairman Alcorn is right about the Democrats; they have to a large extent fallen into silence where the recession is concerned. At Democratic national headquarters here, party strategists acknowledge that the Republicans have been helped by the brighter economic picture.



It is the people, of course, not the politicians, who decide what the issues will be. Yet politicians, and those who write about politics, find it hard to resist the temptation to say in advance what they will be. Looking back over the past year, one finds that their record as prophets has not been very good.

About this time in 1957, for example, some of the politicians and pundits were sure that the uproar over the huge Eisenhower budget, biggest

ever in peacetime, would give the Democrats an issue in 1958.

Later on, after Russia had fired Sputnik I and Sputnik II, some thought that America's lagging in the missile field would hurt the Eisenhower Administration and make votes for the Democrats.

Republican Chairman Alcorn says now that the budget battle and the missile race are dead as political issues. Also, he says, the Democrats are soft-pedaling the farm problem, thanks to a rise in the farmers' income.

This would make it appear that the Democrats are destitute of issues, or nearly so, and are therefore in a bad way nine weeks in advance of the '58 elections.

The Democrats don't think so. They not only expect to hold on to Congress in November, but to strengthen their control by picking up Senate and House seats now held by Republicans. So far

By Edward T. Folliard



the Gallup Poll and other surveys tend to confirm their optimism.

It has to be remembered that the Democrats captured Congress in 1954, midway in President Eisenhower's first term, in spite of the fact that the 1953-54 recession ended some time before the voters went to the polls.

It has to be remembered, too, that the Democrats held on to Congress in 1956 in the face of the stupendous landslide victory of the Eisenhower-Nixon ticket.

How, the Democrats ask, can Republican candidates for House and Senate expect to do any better, or even as well, in this midterm election when the Eisenhower magic is missing? They think they will make gains in November even if the President decides to stump the country, which is not likely.

They don't agree at all with Chairman Alcorn's talk that they are impoverished for issues.



Even granting that the recession has ended, the Democrats note that a lot of Americans are still out of work. They believe the voters will turn to their party in those states and communities where unemployment is heavy. Thus, they are supremely confident that they will prosper in Michigan where the slump in the automobile industry idled thousands. They think they will knock off Republican Sen. Charles E. Potter and maybe pick up some additional House seats as well.

The Democrats say they have an abundance of issues besides unemployment. They add them up, and then borrow the G.O.P. cry of 1952 and talk about the new "mess in Washington," this one Republican-made.

Their favorite tactic is to recall General Eisenhower's campaign promises in '52 and to use the device of the deadly parallel. For example, they recall his promise of balanced budgets and point to the \$13 billion deficit he now faces; his clean-as-a-hound's-tooth standard for officeholders and the Sherman Adams-Bernard Goldfine affair; his pledge to halt inflation and the continuing rise in the cost of living despite the recession.

Neither party seems to have any worth-while solution for the inflation problem. Certainly not the Democrats. The dollar has lost 50 per cent of its purchasing power in 20 years, and most of the loss came in the Roosevelt and Truman administrations.

Politicians rarely bother to talk about the causes of inflation, and almost never about one of the principal causes—the relentless pressure of organized labor for wage increases. Certainly General

Eisenhower didn't bother about such matters in 1952. He blamed the Truman Administration for the shrinkage in the dollar's buying power. His solution was simple: time for a change.

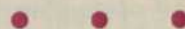
Inflation is always a dangerous issue for the party in power. General Eisenhower discovered this in '52, and he went to town on it. He promised in nearly every campaign speech to halt the rise in the cost of living, and to give the country a sound, stable dollar. Not only did he make these promises on the stump, but he made them in a lot of short radio talks.

The Democratic National Committee was careful to keep a record of all these Eisenhower pledges, figuring that the record might come in handy some day. It has. Now the Democratic candidates for Senate and House are well supplied with such ammunition.

Paul M. Butler, chairman of the Democratic National Committee, delights in regaling his audiences with some of these spot broadcasts of '52, one of which went like this:

Woman: Mr. Eisenhower, you know what things cost today. High prices are driving me just crazy.

General Eisenhower—Yes, my Mamie gets after me about the high cost of living. It's another reason why I say it's time for a change—time to get back to an honest dollar and an honest dollar's worth.

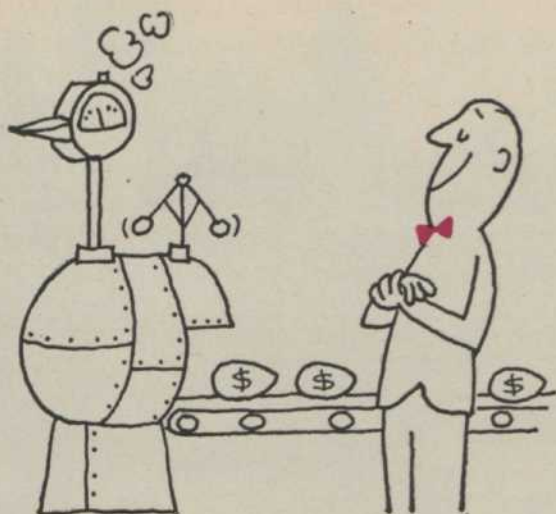


Politicians being the way they are, the Democrats this year will take a leaf from the Eisenhower book and blame the party that holds the White House for rising costs. It will be the old and familiar story of putting the onus on the ins, even though in this instance the Democrats share the power by holding the legislative branch.

One of the imponderables of 1958 is how much damage, if any, has been done to the Republican Party by the disclosure that Sherman Adams allowed Bernard Goldfine to pay \$3,000 for his hotel rooms and accepted gifts of clothes and a rug from him.

It may not be necessary to wait until November for the answer. The voters of Maine may give it on Sept. 8 when they go to the polls for their early-bird election. Republican Senator Frederick G. Payne, who is after a second term, has acknowledged that Mr. Goldfine gave him a vicuna coat, paid hotel bills for him amounting to \$675 and loaned him \$3,500 for the down payment on a house.

Edmund Muskie is opposing Senator Payne for the Senate seat. If he wins he will give the Republicans an even greater shock than he did in 1954, when he became Maine's first Democratic governor in 22 years. The state hasn't sent a Democrat to the U. S. Senate in more than 40 years.



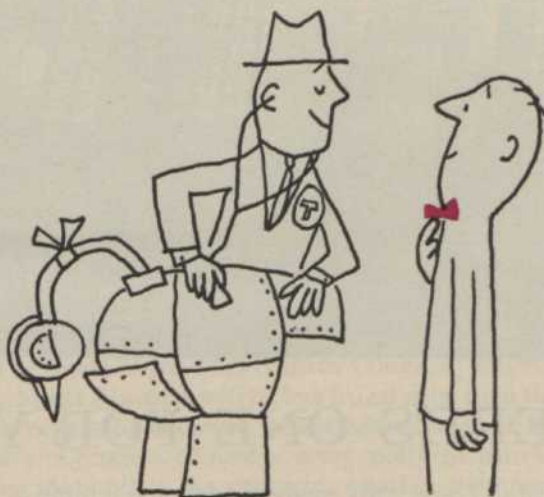
1.

Dick Hewitt bought a new machine—and up production soared.
 “Unlimited capacity! I’m wealthy!” Richard roared.
 So output boomed and profits zoomed as Dick had prophesied,
 Until this goose that laid the golden egg blew up and died.



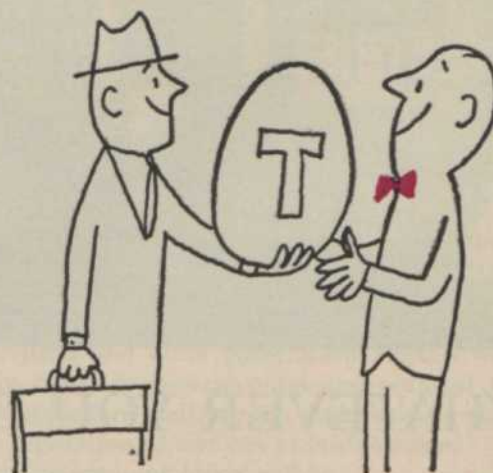
2.

“Insurance may repair the thing,” howled he, enwrapped in gloom,
 “But fixed expenses—normal profits? Heavy losses! Doom!”
 Enraged at Fortune’s fickleness, he phoned his Travelers man.
 The trusty agent said, “Chin up! You have a Travelers plan.



3.

“If your machinery blows its top, no need to blow your stack—
 Our Boiler and Machinery plan will keep you in the black.
 The Travelers pays expected profits *and* your overhead—
 Besides the cost of bringing a machine back from the dead.



4.

“Your man agreed to buy our plan when you were doing Europe.”
 “He gets a bonus!” promised Dick, his temper sweet as syrup.
 To keep *your* profits steady even when production’s stopped
 Seek counsel of a Travelers man—his plan cannot be topped.

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The next Congress: What you can expect

Here's forecast for new proposals in
tax, labor, economic, welfare fields

THE OUTLOOK IN CONGRESS for the next couple of years shows:

Little chance of tax reduction.

Broader social programs under federal sponsorship.

A kindly approach toward labor.

A suspicious, probing attitude toward big business.

New twist ideas for more public loans, grants and benefits, especially for the city dweller.

The mood of the Eighty-sixth Congress, which convenes next January, will be less frugal even than that of its generous predecessor, which just adjourned. Members of Congress of nearly every political conviction agree that this is the prospect, whether they favor it themselves or not.

"I'll bet the next Congress will mark the beginning of a new New Deal," forecasts a veteran liberal member hopefully.

"You'll see a tidal wave of proposals for new and expensive federal programs, with Congress largely run by labor," bemoans a conservative.

The wholesale prediction of freer spending for the next two years is especially significant in view of these facts:

The United States is carrying the heaviest peacetime debt and deficit in history. Many economists are warning that big government spending feeds inflation dangers. Even some of the most cost-conscious legislators speak as if increased spending were inevitable.

"The only thing that could make Congress hold the

line on spending and expanded programs would be widespread public recognition of the horrible financial situation," one member said, "but there's only a slim chance of this."

No one can predict certainly the specific legislative proposals or the size of the bill that will come out of the Eighty-sixth Congress. However, NATION'S BUSINESS interviewed members of Congress, Capital Hill staff experts and other government officials who are acutely tuned to governmental and political trends. Their predictions indicate the direction and shape of future legislation of concern to businessmen.

Main determining forces will be:

- ▶ The November election outcome.
- ▶ Defense policy and war threats.
- ▶ Economic developments.
- ▶ The federal budget situation.
- ▶ Legislative trends and pressures.
- ▶ Popularity of old issues and new ideas.

The election

Few politicians doubt that the Democrats will increase their majority in Congress in November. A Democratic strategist predicts the majority in the House will rise to at least 30 seats, while the Democrats in the Senate will pick up six or more seats. He contends that Republicans can't very well campaign on a peace, prosperity and morality in government

The next Congress:

What you
can expect

continued



MARCOON

"There's little likelihood
of tax reduction."

Rep. Wilbur Mills



MARCOON

"Labor could control
the next Congress."

Sen. Barry Goldwater

theme—not with the Middle East smoldering, employment at home and Presidential assistant Sherman Adams under fire for accepting gifts from his friend with troubles at federal regulatory agencies.

Republicans, however, say that the business upturn and dramatic foreign policy decisions favor them and will help make the congressional races tighter.

More Republicans than Democrats are up for reelection in the Senate, and a number of conservatives, including Senators William Knowland of California and Edward Martin of Pennsylvania, and Representative Ralph Gwinn of New York, are retiring from Congress this year. Probable gains for Democrats would come in the North, East, and West where Democrats tend to be less conservative than in the South. Add to this the fact that younger men running for Congress to replace the older men frequently are more liberal whether they are Republicans or Democrats. Then it becomes easy to conclude that spending strength will be added to the Eighty-sixth Congress.

Defense policy

The Defense Reorganization Act of 1958 holds out the promise of economies within the most expensive sector of national spending. Congress gave the President most of what he wanted in revising organization deficiencies in this Department.

However, tense international affairs, particularly in the Middle East, have convinced most members of Congress that the military needs even more money than the Administration requested.

The official policy of the government since Korea has been to keep defense spending at a high mark. Ranking Defense Department officials believe that the

U. S. will not demobilize again as far into the future as anyone can see.

Other factors keep Pentagon spending high. During the next several years few missiles or weapon systems can be washed out, or dropped as potential items in tomorrow's arsenal, according to a high Defense official. About \$3 billion goes into missile research alone. Although everyone in the military realizes that missile choices will have to be narrowed and that future missiles must be more versatile, it will probably take years to consolidate. Meanwhile, for each missile, new schools must be established, new men trained, new testing expenses incurred.

Even the revision in the military pay structure, enacted by Congress this year to encourage career service men and reduce training costs, will carry added expenses. Normally men who stay in the service rise in rank and are paid more. They also raise families, which increases medical and other benefit bills.

Then, too, there is what one veteran Defense official called "a way of life" which pushes costs upward. To illustrate: Two lower-echelon Pentagon employees recently planned to fly to Paris to handle some paperwork there on the excuse that the junket would be inexpensive since they could make the trip aboard a Military Air Transport Service (MATS) plane. Their dollar-conscious superior, however, canceled their trip, suggesting they save the taxpayers a few hundred dollars by handling the paperwork by mail. Such cost-consciousness is rare.

Another example: A provision for a \$500,000 gymnasium in sunny Guam was stricken from a military construction bill just in time. The Pentagon official who caught the error explained that under a broad poli-

FARM



"Days of special consideration for the farmer are gone."

Sen. George D. Aiken

WELFARE



"Social Security payments and assessments will increase."

Sen. George Smathers

SPENDING



"We've sown the seeds for inflation."

Sen. Harry Byrd

cy providing such facilities the gym could have been built on the island though it would rarely have been used in such a climate.

In addition to keeping defense spending high, continued war threats or brushfire battles could influence Congress to consider adopting economic controls. Sen. Richard Neuberger, Oregon Democrat, introduced a bill in the last days of the Eighty-fifth Congress providing for stand-by price, wage and rent controls in case of war or economic instability. At present, however, Congress is not inclined to move in this direction.

Economic developments

Just as recession has been foremost in the minds and the mail of many congressmen during the past year, economic developments are bound to affect the nature of forthcoming legislation, too.

In the second session of the Eighty-fifth Congress, a variety of pump-priming programs to block the recession were rushed into bill form.

Zealously the members pushed along such billion dollar measures as the Community Facilities bill to provide long-term low-interest federal loans for local public works and make-work projects; and the Depressed Areas bill to provide federal aid to centers of chronic unemployment for plants and public works to attract new industry.

Spending support lined up eagerly behind these measures, though the community facilities scheme failed to win passage.

"If unemployment is still heavy by next winter," one Senator told *NATION'S BUSINESS*, "some similar legislation is sure to pass, particularly with a stronger spending element in Congress."

The outlook is for continued high unemployment until late winter.

Although temporary unemployment benefits in the form of loans to states, enacted this year, will run out next April 1, unemployment could prompt Congress to adopt a new jobless pay plan.

Though business now is climbing back, federal revenues won't quickly reflect the upturn, because tax collections lag behind individual income and corporate profit increases. Therefore, the federal deficit undoubtedly will stay high for a few years. Borrowing to meet federal obligations will put demand on the money supply that could drive interest rates up. Inflation dangers may bring renewed interest in stand-by price and wage controls in the next two years, even if war threats don't.

Budget situation

Just as legislative action influences the federal budget picture, budgetary figures can affect legislative decisions in the next couple of years. Though it's a lonely position, Budget Bureau Director Maurice Stans believes that, if the recession is pretty much a thing of the past in the public's mind by next winter, the people's reaction to heavy government spending could start another economy wave.

As Chairman Harry F. Byrd of the Senate Finance Committee put it:

"I'm hopeful that we can have economies, but it looks discouraging. The fiscal situation is the worst I've ever known. We've sown the seeds for inflation this session, and there's no prospect of balancing the budget in the next year anyway."


Twice this year Congress (continued on page 76)



BUSINESS NEEDS MATURE AUTOCRATS

Challenge to democratic
approach to managing suggests a
more effective type of executive



 "Caesar" type of leader;
a man who walks with a
firm, but quiet step

THE DEMOCRATIC APPROACH to business administration and leadership seems to have reached its apex. To some people its future is subject to much doubt. What these critics refer to as its veneer has been cracking for at least five years.

Substantial research has been devoted to seeking a pattern of management which will yield the highest production and morale. So far as the research data are concerned, evidence today is insufficient to warrant the assumption that there is a single approach to better performance. Why then, after enjoying for some 30 years a gradual and somewhat unexpected increase in acceptance, especially verbal, should the democratic approach now be subject to doubts? What kind of executives do we now need and want?

The social scientists can wait for answers to these questions but businessmen cannot. If the commonly held assumption that democratic ex-

ecutive procedures are most effective is being challenged, business needs to know the nature of the challenge and what kind of procedures are suggested as substitutes.

One of the most difficult things to understand is the meaning of democracy, especially in terms of the business system. A common technique is to define the opposite approach, that is, the autocratic, and base the definition of the democratic on that.

The autocratic approach means that group members are dependent on a single person. That person—called leader, executive, supervisor, etc.—so behaves that he makes himself the key to all group action and eventually becomes indispensable. His need to dominate is expressed by keeping the group acting as individuals and on a personal basis with him. This means usually that communication is kept to the minimum of administrative necessity except insofar as it is through him and focused upon him. Because he becomes and remains the focus of group attention, he is a firm believer in the indispensability of a good leader, such as he tries to be.

The democratic approach in many respects is the direct opposite. The individuals in the group, including the leader, are so closely knit that cohesion sometimes disguises who actually is running things. The leader seeks to evoke maximum participation and involvement of every member in determining group activities and objectives. He so leads the group that the result of the joint effort is not ascribable to his own virtues and superiority.

In short, the autocrat recognizes the superiority of the individual over the group, whereas the democrat recognizes the superiority of the group over himself.

There are differences of view in other regards as to how the democrat and the autocrat behave, but these definitions are generally acceptable. My own research could not find evidence that the autocratic type or democratic was superior; but criticism of the democratic, sometimes called human relations, approach which began five years ago is gaining in strength.

In 1953 Douglas McGregor of MIT, then president of Antioch College, warned that business was confused about human relations. He described as a major error of management the assumption that personnel administration consisted largely in dealing with human relations problems. He said that this was looking at the subject as a repair job, instead of a way to prevent the need for repairs. Since then other writers and observers have continued the attack on human relations as being essentially a tool by which management manipulates people into the desired patterns of productivity and conformity. These writers see considerable moral and intellectual degradation and degeneration as a result of the human relations exploitation approach.

Since the human relations approach has had such lofty ideals and high verbal acceptance, it is to be expected that these critics will find numerous and severe opponents. Already a defense seems to have taken shape. Some defenders, believing that the many advocates of human relations have failed to make clear just what they are talking about, have tried to relieve the misunderstanding and confusion by suggesting that the underlying theme of the human relations approach is an attempt to understand people as they really are and to accept them as such. The theme is that better understanding of the problems of people at work, of discovering ways for making work a more rewarding experience, will likely create positive benefits for all concerned.

This implies that management should so manage that the workers' purposes and the firm's purpose are mutual and complementary. Translated in the language of the critics of the

(continued on page 94)



In contrast;
the democratic
leader recognizes
the superiority
of the group
over himself

OUTLOOK '60'S FOR THE

Coming decade can bring a healthy business growth, improving living standards, high employment, and generally good profits

THE COMING DECADE will present a market situation quite unlike the one just past.

Here is a forecast of significant trends that will emerge during the 1960's:

1. Age patterns will change, with far-reaching impact on the total economy.

2. Consumption patterns will change, partly as a result of the consumption record of the past 10 years.

3. The labor force will change, with important implications to production and investment requirements.

If business adapts investment, sales, and labor policies to the new conditions the decade will bring, the 1960's can be a period of healthy growth, increasing standards of living, high employment and generally satisfactory profits.

The difficulties of doing this are real enough, but they will be smaller than we have faced before and the tools for meeting them are better.

An examination of the trends that will influence the coming decade will show both the difficulties and the opportunities that lie ahead.

The suggestion has been made that the market for consumers' goods may not grow as much in the next decade as in the past. This is based, first, on the premise that the increase in the number of families will be largely in the young and the old age groups. The number of families headed by individuals from 30 to 45 years of age will decline between 1960 and 1970. The increase in the number of families between 45 and 55 will be smaller than it has been.

This will be important because the market for big houses and big items of durable equipment is particularly strong in the 30 to 45 age groups. Their incomes are rising; their family size is rising; their interest in bigger houses and more equipment is strong. Such families are relatively heavy spenders.

These families have represented a good part of the

support for the increase in the size of homes, in the number of bedrooms and bathrooms, and for the increase in price, which the housing market has witnessed in recent years. As the growth in the number of families in this age group subsides, the demand for these bigger houses will decline.

This may already be appearing. The National Association of Home Builders reported a steady rise in the size and price of houses through 1957. But they have indicated that the houses they are building in 1958 are somewhat smaller and cheaper than those built last year.

Offsetting this decline in the demand for bigger houses, however, is the fact that income of those under 30 and more than 55 is continuing to increase. Most of the newly married couples and retired families will not want four-bedroom houses. Many of them may not want three-bedroom houses, but they will be able to afford better one and two-bedroom apartments, mobile homes or conventional homes.

In addition, families are buying second homes in increasing numbers. A place on the water or in the mountains is becoming more commonplace. Census figures now specifically refer to homes owned by families occupying other quarters at the time the enumeration was made.

The data do not show definitely whether the growth of one market will offset the decline in another. If the average household in the 30 to 55 age bracket occupies a house valued at an average of \$6,000 more than those occupied by younger families, the drop in the growth in the number of the older groups might reduce construction markets by about \$2 billion a year.

However, this could be more than offset by an increase in the building of 100,000 vacation quarters a year at \$3,000 each; or by an increase in motel construction of a similar magnitude, plus an increase in

slum clearance and other demolition rates of about 100,000 a year. These changes will be strongly supported by the new highway and urban renewal programs.

Since such increases seem likely, no decline in the annual value of residential construction appears necessary because of changes in population age groups. Instead, the value should continue to rise, though possibly at a slower rate than personal income.

Families are house and neighborhood conscious. Housing expenditures have been rising somewhat more than personal incomes. Newer attractions—such as opportunities for longer vacation trips—may reduce the percentage of the rising income going into housing.

It is not safe to predict that the percentage will be constant or will rise, but it appears safe to suggest that, in a generally prosperous environment, total expenditures will continue to rise at a rate which will more than offset the effects of the change in population mix.

The increase in housing standards is being helped also by longer week ends and vacation periods. These encourage more do-it-yourself home construction and improvements. While this does not greatly offset the number of construction workers employed, it does stimulate the sale of building materials and equipment. This means more factory workers employed in producing materials and the equipment. Thus it is supporting the economy more than construction indexes alone suggest.

The coming changes in the population by age groups will have other meanings to business. Both

young and old families tend to consume more than they produce. So the increase in the numbers in these age groups at the same time the growth in the number of middle-aged families slows down, is, in effect, an increase in demand which will provide a new strength for the economy.

We need to study carefully the impact on the economy of both the young and old families:

Young families use much more than they produce. They tend to borrow heavily on future earnings. A society in which the number of young families is relatively large is, therefore, one in which borrowing supports a large proportion of consumption.

These families like smaller houses, but they don't have the cash to buy them. They either rent—which means that someone else puts up 100 per cent of the financing—or they buy with relatively small down payments. Similarly the investment required for the consumers' durables the young family uses is high in relation to the family income.

Per capita investment may be as large or even larger for the young couple as for the couple in the middle age group. A young couple without children in a \$12,000 to \$14,000 house or apartment is using \$6,000 to \$7,000 per person for the home and a relatively high amount of other types of capital per person. A 40-year-old couple with three children, living in a \$25,000 house, is using about \$5,000 per person for housing.

Older families also consume more than they produce. Pensions, returns (continued on page 44)

TRANSITIONS AHEAD:

FROM Easy market

TO Competitive market

FROM Investment in
plant expansion

TO Investment for
efficiency and
lower costs

FROM Middle-aged
consumer market

TO Young and old
consumer market

✓ CHECK COMPANY EFFICIENCY QUICKLY

Simple clues will tell you
how you can cut overhead

SUPPOSE YOU HAD an opportunity to shift to another company, or to buy into one. Would you like to be able to check its efficiency quickly and simply? Would you like to find the trouble spots, if any, in your own company?

After years of experience as a business consultant, R. O. A. Peterson has developed a few simple tests which any businessman can use to determine how his own or some other company is doing.

First of all, Mr. Peterson says, before undertaking an analysis for any company, you must recognize that there is one overriding reason for its existence: to make money.

Before Mr. Peterson makes a physical inspection of the company, he works out three sets of ratios. In the case of a large corporation, he gets most of the data for these ratios from the annual report. For smaller companies, sufficient data can be gotten from Dun and Bradstreet, local banks, and informed persons in the community and in the industry.

The ratios

1. Four figures are required. They are: Total sales, cost of goods sold, general administration costs, and net profit before taxes.

Here's the way these figures work out for one of America's most consistently effective corporations:

Total sales	100
Cost of goods sold	40
General administration	40
Net profit before taxes	20

Whatever the ratio, it must be compared to the pat-

✓ HOW MUCH VALUE should
company add to raw materials
per employee man year?

In oil industry
company might add
\$120,000

In air frame industry
company might add
\$9,000

Norm in your industry ... ?

✓ HOW MANY idle employees
should you be able to
see at one look?



tern for the particular industry. The net profit figure might work out to be less than two in the case of a grocery chain, for example, and still represent a highly profitable operation when measured against the stockholders' investments.

When Mr. Peterson first looked into one company the ratio looked like this:

Total sales	100
Cost of goods sold	60
General administration cost	39
Net profit	1

He knew then and there that there was something wrong, somewhere.

2. Take the total sales figure, subtract from it the amount paid for materials and purchased services. The resulting figure represents the value the company has added to its purchases.

Now divide this figure by the number of employees and you get the productivity factor per man. (If the working force fluctuates in size, divide total number of hours worked by 2,000 to get the man-years.)

The figures for a company that is doing an annual business of \$10 million with 200 employees might look something like this:

Total sales	\$10,000,000
Less raw materials and services	4,000,000
Value added	6,000,000
Value added per man-year, 6,000,000.	30,000
	200

This figure must also be compared with the industry pattern. The productivity factor for an oil company might be \$120,000, for example, but the air

frame industry adds only \$9,000 per man-year to its raw materials.

3. Divide the number of production workers by the number of engineers. Any engineer will tell you the standard for the industry. In electronics, for example, the ratio is five to one. For a company manufacturing concrete pipe it might be 100 to one. Mr. Peterson found one company with a ratio of 500 to one, a ridiculous ratio in any manufacturing industry.

The factory

You are now ready for the actual physical inspection of the company. Begin with the factory, the production side of the business. You will not only find out what's wrong with the factory itself, but see evidence of company-wide problems as well. Lack of morale, for example, sticks out plainly in the factory.

At the entrance to the major workroom, turn your head slowly around, taking in a panoramic view. Tick off the number of people you see doing nothing. If this is heavy industry, you should count no more than two men out of 20, or 10 per cent of the work force. In a denser workroom, such as in the electronics industry, where many women work close together at benches, the figure should be less than five per cent.

This figure, in itself, is a symptom of many company diseases, chief among them excessive overhead. To Mr. Peterson, a high percentage of inactivity is a happy sign. Given the authority, he knows he can fix it. But if your interest is in buying into the company, say, without a voice in its management, this might be a warning.

Now follow one operation from beginning to end. In a well engineered plant, you'll find yourself proceeding in a straight line. Suppose, instead, you wander all over the place. At one point everything looks so familiar that you ask your guide, "Say, haven't I been here before?" Something is definitely wrong here.

Example: Mr. Peterson, trying to follow the path of the assembly of the basic frame for a pressing machine, wound up in hopeless confusion. Later, he had his engineering staff work out precisely the distance the frame and its component parts traveled. It turned out to be 10.4 miles. The whole factory area is less than a quarter-mile square.

One part was washed, for example, then welded to another part which had not been washed, whereupon both were taken back to be washed all over again, an operation totally unnecessary at that stage in the first place. This pattern repeated itself again and again. Apparently operations had been added for some reason which seemed good at the time, then permitted to remain after the reason no longer existed.

Excessive distance traveled means excessive handling which in turn means excessive labor cost. The confusion and congestion caused by crossing and re-crossing pyramids the cost.

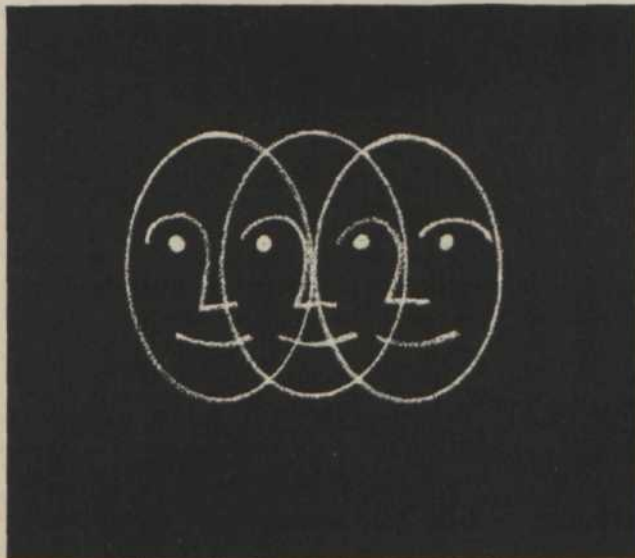
From this one crooked path two further conclusions could be drawn:

1. Such sloppy engineering could hardly be restricted to one operation. Later investigation bore this out in many ways. In the

(continued on page 86)



WHAT WEAKNESS would you look for in third generation of family-owned firm?



Right-to-work trend faces test

Voters in six states will help to decide which way worker protection against forced unionism will go

THE ISSUE of compulsory vs. voluntary unionism is approaching its most critical test since 1944 when Florida enacted the first legal ban on compulsory union membership.

In November six states will hold referendums that will do much to decide:

► Whether right-to-work legislation, now in effect in 18 states, will continue to spread, or whether unions will be able to stop and possibly reverse the trend.

► Whether the next Congress will pass a national right-to-work law or adopt a labor-supported amendment to Taft-Hartley that would wipe out the state laws.

The states where this issue will be decided are California, Colorado, Idaho, Kansas, Ohio and Washington. The proposed laws differ in detail, but in general they protect a worker's freedom to decide whether or not he wants to join a union. Any labor contract which would require him either to join a union or refuse to join is illegal in a right-to-work state.

Support of this point of view is based largely on moral grounds:

No free American should have to join any organization in order to work.

Proponents insist that unions will be better, stronger, and have more loyal members if workers join because they want to, rather than being forced into unions against their will.

They quote some union leaders who have spoken out strongly against compulsory union membership.

One is Guy L. Brown, head of the

Brotherhood of Locomotive Engineers, who has said that labor has a good enough product that workers do not have to be forced to join a union.

Another is Samuel Gompers, first president of the AFL, who is quoted as having written in his autobiography:

"I held and hold that if a union expels a member and he is deprived of his livelihood, in theory or fact, in so far as he and his dependents upon him are concerned, it is capital punishment."

The businessman is no disinterested bystander in the controversy, according to Ralph J. Cordiner, chairman of General Electric Company.

"By granting to union officials the entrenched position of a union shop," he said, "many employers have withdrawn from the union members their most powerful instrument of control over their own officials—the freedom to withdraw from the union, or to refuse to join it."

"When an employer says to a workman, 'You can't work here unless you join this union,' he has asked the workman to give up one of those fundamental rights which guard American freedoms."

Independent committees with a heavy sprinkling of businessmen and business organizations are working for passage of right-to-work laws in the six states. At the national level the United States Chamber of Commerce and the National Association of Manufacturers, among others, are giving them support.

Meanwhile, leaders at all levels are fighting right-to-work with a wide assortment of weapons. Labor officials

feel that such laws strike at the source of union power—membership and dues money.

They are particularly concerned about the coming referendums because the decisions in all six states will be made at the polls, rather than in state legislatures where labor pressures are more easily brought to bear.

Last year, when Indiana became the first northern industrial state to enact a law against compulsory union membership, labor officials excused their defeat on the ground that some bad strikes in the state had brought down public opinion against the unions. The McClellan Committee's disclosures of union abuses and corruption, added to the public appeal of the right-to-work title, may do the same thing this year.

The unions also fear that right-to-work success, particularly in California and Ohio, could easily spread to other important industrial states that have recently shunned the issue.

Right-to-work is a difficult concept for unions to fight.

Labor literature used to counter by calling the laws "right-to-wreck," but this term has been dropped in favor of such terms as "no-right-to-work" and "right-to-scab." Some labor publications just go along with "right-to-work." This statement in a labor guide published in California may explain why "right-to-wreck" has been dropped:

"Avoid use of this (right-to-wreck). Surveys reveal that this is not an effective term. Word 'wreck' has never materialized in minds of public."

Labor has a well organized and in-

tensive campaign under way to try to defeat the right-to-work referendums. It is being masterminded in Washington by an AFL-CIO subcommittee and staff headed by Joseph Beirne, AFL-CIO vice president and head of the Communications Workers of America.

When assigned the task earlier this year, Mr. Beirne said:

"The entire resources of the Federation will be directed toward telling the public just what is contained in these laws. The so-called right-to-work laws strike right at the very heart of the labor movement and all our resources will be thrown into this if necessary. We'll have the money."

These are some of the things labor is doing in strategy and tactics:

Television. A new film, "We the People," suitable for a 15-minute TV broadcast, has been made by the AFL-CIO and, beginning in September, it will be available to unions and other groups for sponsoring on local TV stations.

Movie. The film, "Injustice on Trial," several years old, will also be available for local showing.

Intimidation. Names and addresses of persons who circulated petitions to put the right-to-work referendum on the ballot were published in union

newspapers. Some circulators received phone calls and threats at home. Some businessmen who signed petitions were boycotted.

Fronts. Front groups are being organized to fight the referendums. One is the National Council for Industrial Peace. Mrs. Eleanor Roosevelt and former Sen. Herbert H. Lehman are listed as cochairmen. The Council has put together a Speaker's Manual against right-to-work legislation that includes a sample speech for a PTA meeting.

Resolutions. All kinds of civic, fraternal, political and even religious groups are being importuned to pass resolutions against right-to-work. Some 20 city councils in Ohio have done so.

Endorsements. Strong efforts are being made to get prominent business, religious and civic leaders who may oppose right-to-work legislation to endorse labor's stand. A company president was featured on the program of an AFL-CIO conference devoted to an all-out attack on right-to-work.

Diversions. In California, labor has put up a referendum of its own to cut the sales tax, reduce the tax on incomes under \$6,000 a year and raise it on others.

Assessments. In Kansas, where a labor official said, "We don't dare let money stand in our way in defeating the right-to-work referendum," some unions are assessing members or raising dues to finance labor's fight.

Literature. Special union publications on the issue of compulsory unionism include "The Case for the Union Shop," by the AFL-CIO Industrial Union Department, headed by Walter P. Reuther; "Work for Rights," by the United Steelworkers, and "The Bitter Truth About Anti-Worker Laws," by the Machinists Non-Partisan Political League in California.

States with right-to-work laws and the year in which they went into effect:

1944—Florida.

1947—Arizona, Arkansas, Iowa, Georgia, Nebraska, North Carolina, North Dakota, South Dakota, Tennessee, Texas and Virginia.

1952—Nevada.

1953—Alabama.

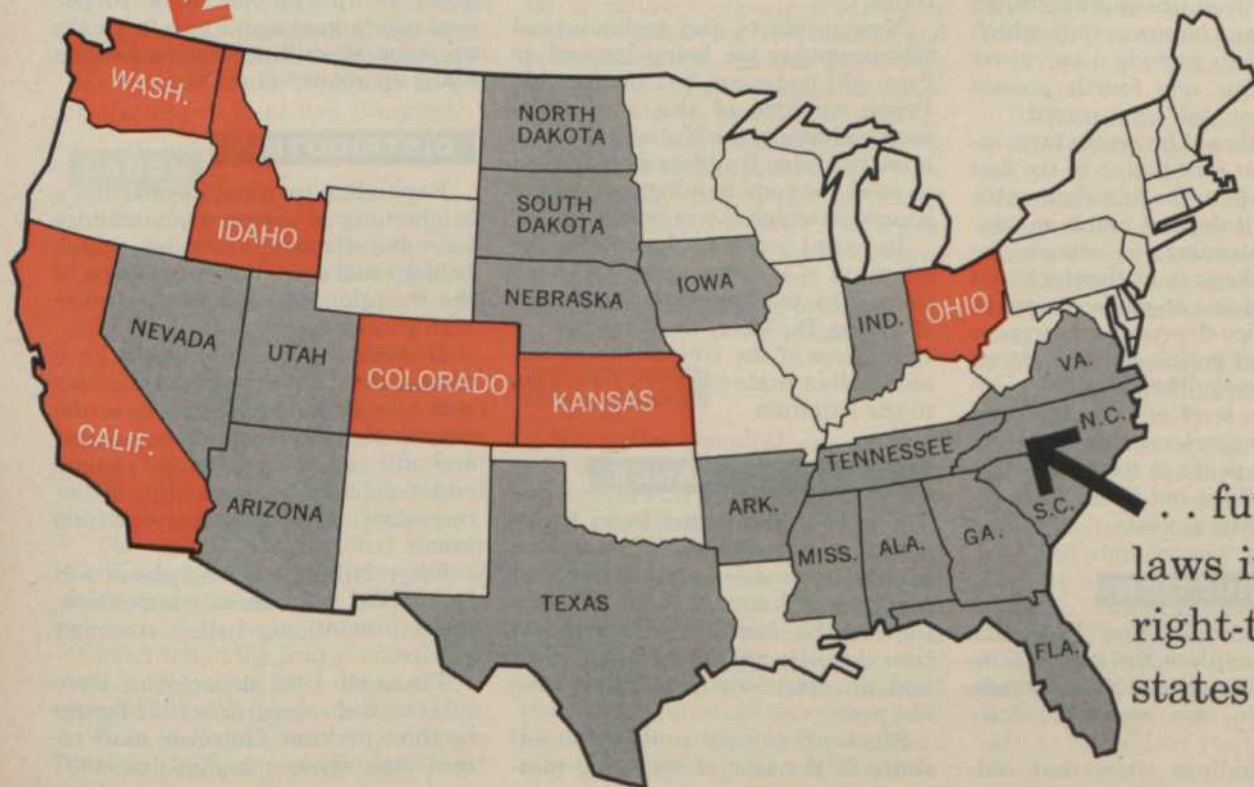
1954—Mississippi and South Carolina.

1955—Utah.

1957—Indiana.

Laws have been repealed by legislatures of three states: Louisiana, New Hampshire and Delaware. **END**

Action in these states could spread voluntary unionism or, if referendums lose, affect



HOW'S BUSINESS? today's outlook

AGRICULTURE

Livestock producers are going full steam ahead to expand production of cattle and hogs, despite vivid memories of depression prices on beef and pork less than three years ago.

Principal reason is the unusually favorable livestock prices in relation to feed prices. Prices received by farmers for meat animals in July were 17 per cent above a year earlier and highest for the month since 1952. Lower feed prices are reflected from this year's bumper crops, which are expected to provide a carryover of feed grains one fourth greater than last year's all-time record.

Continuation of favorable farm income—22 per cent higher in the first half of 1958 than the first six months of 1957—will depend much on consumers continuing to absorb increased marketings of livestock and poultry products at moderate prices until the price-depressing carryover stocks of feed grains can be reduced to normal levels. However, the coincidental low level of both beef and pork prices experienced in the fall of 1955, due to peaks in the production cycles of both, is not likely to be repeated for several years.

CONSTRUCTION

A conference in New York this month will explore the possibilities of preparing a national building code applicable to one- and two-family housing.

Recent findings show that out-

dated and conflicting housing codes are costing the American home-buyer and home-builder nearly \$1 billion each year.

It has been estimated that an average of \$1,000 per unit could be saved if more uniformity of housing codes were brought about.

Examples of problems faced by builders are the nearly 50 different housing codes within the St. Louis area alone, while the Minneapolis environs are harassed by 25 separate codes.

New products and technological advancements are being ignored as these old codes are left unchanged. Prime example of this is the Research House of the National Association of Home Builders which failed to meet the code requirements of the county in which it was built.

In recent years, leadership for the adoption of uniform codes has been exerted by the National Association of Home Builders, the Chamber of Commerce of the United States and many other trade organizations close to the situation.

CREDIT & FINANCE

The banking picture looks favorable for the remainder of this year. Money continues easy for now and probably will remain so for the coming months. Levels of demand and time deposits are growing and loans and discounts are generally above last year.

Stock prices may continue to advance in the face of increased mar-

gin requirements during the remainder of the year. Government bonds continue weak in tone. Municipals have demonstrated marked soundness. Weekly average of long-term bond offerings stands at about \$144,923,137.

The Federal Reserve seasonally adjusted index of industrial production has shown a steady increase after having declined 19 points in eight months to 126 in April.

Use of credit in financing durable goods is up approximately 10 per cent over a year ago. Farm loans are up some \$6 million and real estate loans up about \$41 million.

DISTRIBUTION

Expanding personal income and a brightening of consumers' attitudes have the distributive trades, which held up well even during the worst of the recession, looking to the future with confidence.

However, not all problems have disappeared. Many consumers are still heavily in debt in spite of the magnitude of recent repayments, and are not as willing to assume added debt as they were after earlier recessions. Also, they are watching prices.

For retailing, the road ahead will be marked by intense competition, more promotions, better customer service.

First-half 1958 department store sales trailed comparable 1957 figures by three per cent. However, more recent data show a higher-than-1957



Chamber of Commerce of the United States

sales rate—and, if fall and pre-Christmas expectations are met, 1958 total sales for department stores should edge last year's record.

The national food bill will continue at a record-breaking level: about \$80 billion this year, according to the Advertising Council.

GOVERNMENT SPENDING

In the next few weeks the President's Midyear Review will officially evaluate the spending activities of the Eighty-fifth Congress, but a preliminary analysis indicates the federal government's serious financial straits.

In its past session, Congress engaged in high-level spending and instituted long-range programs which will entail steadily increasing costs and perpetuate high federal expenditures for at least the next five years.

Expenditures for the current fiscal year probably will be at least \$80 billion, some \$6 billion more than proposed by the President's budget. Revenues will probably go slightly over \$67 billion, about \$7 billion less than was estimated in January, thus leaving a deficit of approximately \$13 billion.

It is possible the deficit may even exceed \$13 billion. Much will depend upon the action taken by the next Congress on supplemental appropriations which will be required to finance some of the programs passed in the last days of this Congress.

LABOR

The next several years will be marked by the continued development of international labor legislation on a variety of topics in the International Labor Organization.

Already in the mill for consideration in 1959 and 1960 are such questions as organization of occupational health services in places of employment, hours of work, conditions of work of fishermen, and protection of workers against radiation hazards.

The 1958 International Labor Conference adopted international draft treaties—binding obligations when nations ratify them—on discrimination in the field of occupation and employment and conditions of employment of plantation workers.

If, in the future, the United States were to ratify any of the draft treat-

ties emanating from ILO, the provisions would be applicable to American employers.

A program to redirect ILO activities along more constructive channels is being developed by U. S. employer groups, aiming at providing practical assistance to the countries in the course of development rather than building unfounded hopes on the written legislative word from Geneva.

NATURAL RESOURCES

The continuing bitter argument between the wildlife enthusiasts and those who want to develop land will be renewed this fall, and revolve around the future use of 50 million acres of federal land.

Hearings in the West will attempt to analyze future economic dependence on the resources involved, including recreation. Legislation, which would have locked up the huge acreage into a system of extensive roadless areas available only for wilderness travel by foot or pack animal, was delayed in Senate Committee during the past session, pending the hearings.

Restricted from development under the proposed legislation would be such uninventoried resources, vital to future economic progress, as water for public use, reclamation and power, minerals, oil and gas, forage and timber. Recreational development would be prohibited, and access roads and facilities would be banned, excluding most people from outstanding scenic areas and use of game and fish resources. Testimony indicates that loss of tourist income in communities adjacent to one established wilderness preserve approaches \$1 million annually.

TAXATION

While the technical amendments and tax relief for small business bills became law in the last days of Congress, no attention was given to really basic faults in our tax system.

With the exception of the minimal accelerated depreciation provided for in the Small Business Tax Relief bill, the Eighty-fifth Congress has successfully ignored the repeated pleas of the business community for a sane and reasonable depreciation allowance. Resumption of the infla-

tionary spiral and the decline in expenditures for new plant and equipment are sure barometers of how a continuation of the present policy will hamper the nation's economy.

A depreciation policy equally advantageous to all elements of the business community is undoubtedly impossible—but Congress should provide for a committee study of the problem and attempt to improvise some depreciation plan that will be generally acceptable to all businessmen. Above all a new depreciation policy must take into account the continuing threat of inflation, it must be administratively feasible for both the Revenue Service and the taxpayer, it must give more than lip service to the growing problem of obsolescence, and it must provide an immediate stimulus for additional investments in new plant and equipment.

TRANSPORTATION

Commuter rail service has a grim future unless immediate steps can be taken to erase red-ink operation.

The financial squeeze facing mass transit service is real and it exists in most cities.

Proposals which have been advanced to help solve the commuter rail problem short of government ownership or direct subsidy, include:

1. Pricing commuter service at its full cost.
2. Permitting the companies a greater flexibility in adjusting their fares and services.
3. Relieving the carriers of discriminatory and excessive tax burdens and special assessments.
4. Relief from uneconomic wage demands and make-work labor practices by unions.

Various other approaches are also being tried: In Philadelphia the rails are seeking direct city-aid; in New Jersey they are trying to unify and integrate the public transportation system; in Pittsburgh the Pennsylvania Railroad has offered its track- and right-of-way to help solve the city's mass transit problem; in Chicago current emphasis is on fare increases; in Boston the New Haven Old Colony lines closed its gates only to reopen a day later when the legislature approved a \$900,000 subsidy to be paid by Boston and other cities served.

Labor supply looks adequate to help contribute to growth of next decade

from investment, and social security will give them relatively steady incomes and enable them to buy with confidence. They will spend a higher proportion of their incomes than will the declining proportion of middle-aged families. While the young families will spend more than their incomes, the old families will spend practically all of theirs.

The growth in average consumption and in investment per capita should, therefore, not decline in the next decade because of the increasing proportion of young and old families.

In addition, the total number of households, assuming a continuation of general prosperity and no war, will increase faster from 1960 to 1970 than from 1950 to 1960. This growth will also support a good increase in the total expenditures for housing and for other durables.

The second premise on which a possible lower rate of growth for consumer purchases during the 1960's is based is the fact that families stocked up after World War II. This stocking-up period is over, so the argument runs, and per capita sales will drop.

Studies by the University of Michigan and others indicate that the desire for better things grows with familiarity with them. As a family's standard of living rises, its desire to push that standard still higher increases. Studies made in 1958 show that more families than usual believe that this is not a good year in which to buy or that the quality, design, or price is not favorable.

They show also that the families are merely waiting for the right time and price. The proportion of income spent for commodities and services is higher than since 1955.

The same families won't buy the same things in the 1960's at the rate they bought them in the 1950's.

They will buy other things.

Only a small proportion of families now has two cars. That percentage will rise. Only a few have swimming pools, color TV, or air conditioning. The number will rise.

The market resulting from the building up of consumer inventories of goods available from 1947 to 1957 can be more than matched by meeting 1960's changing needs.

This brings us to another question that is sometimes raised about our ability to grow at an average rate during the next decade. Will the labor force be adequate to take care of the demand?

The U. S. Census Bureau has projected several possible labor force trends from 1955 through 1975. The figures for 1958 to date are slightly above the trend line for the highest projection computed. Using the second highest—86.2 million—assuming a continued decline of one fourth per cent per year in the average number of hours worked per man, an increase of productivity per man-hour of only 2.75 per cent per year, and assuming a four per cent unemployment average through 1970, the output potential of this projected labor force for 1970 would be more



than \$745 billion. This is an annual rate of growth of more than four per cent. A growth of 3.5 per cent per year, compounded annually, from 1957 to 1970 would give a GNP of \$688 billion in 1970.

This oversimplified calculation does not allow for increased multiple job-holding as the workweek declines, shifts in the skills of those employed, or for many other factors. It does, however, illustrate one of the reasons behind the conclusion that the labor force can be adequate for an increase in output of 3.5 per cent per year.

There will be, of course, problems involving the composition of the labor force and the adequacy of its training. Such problems have been met in the past. Meeting them in the 1960's may encourage an increase in the demand for more and more productive equipment.

The investment demand growing out of this need to increase the output per worker may well offset any loss due to a decline in the rate of growth in manufacturing capacity as a whole.

Expenditures for expanding ca-

capacity have been a large, but not an overriding, portion of the total economy. Business invested \$37 billion in 1957 on plant and equipment. Possibly about 20 per cent of this was for expanding manufacturing capacity by approximately five per cent. A 20 per cent decline in the rate of growth in manufacturing capacity would, in all probability, be far more than offset by increases in expenditures for improving the efficiency of existing capacity.

Studies of most consumer purchasing patterns suggest demand is affected noticeably by price. If the prices of autos rise relative to incomes, for instance, then the demand tends to drop or to shift toward the cheaper secondhand cars. If the down payment and the monthly payment on houses rise relative to income, the demand is reduced.

Prices of nonagricultural products rose more than 20 per cent from 1948 to 1957. They rose because wages went up but they rose also because capacity was expanded at above average rates from 1946 to 1957, to make up for time lost from 1930 to 1946. Part of the cost of this expansion was put into the selling price of the goods.


The increased efficiency, which the new plants promise, will become evident in the near future, and the rate of plant expansion which has been maintained in the past few years will drop somewhat relative to the volume of goods produced. So savings will be made in production costs, and the investment cost of additional expansion will be less per unit of goods produced than it has been recently.

As sales will remain competitive, inefficiencies in production and distribution will be further reduced so that real costs per unit produced may be lowered somewhat. These two factors will reduce real costs to consumers and tend to increase sales volume for both consumer and industrial products.

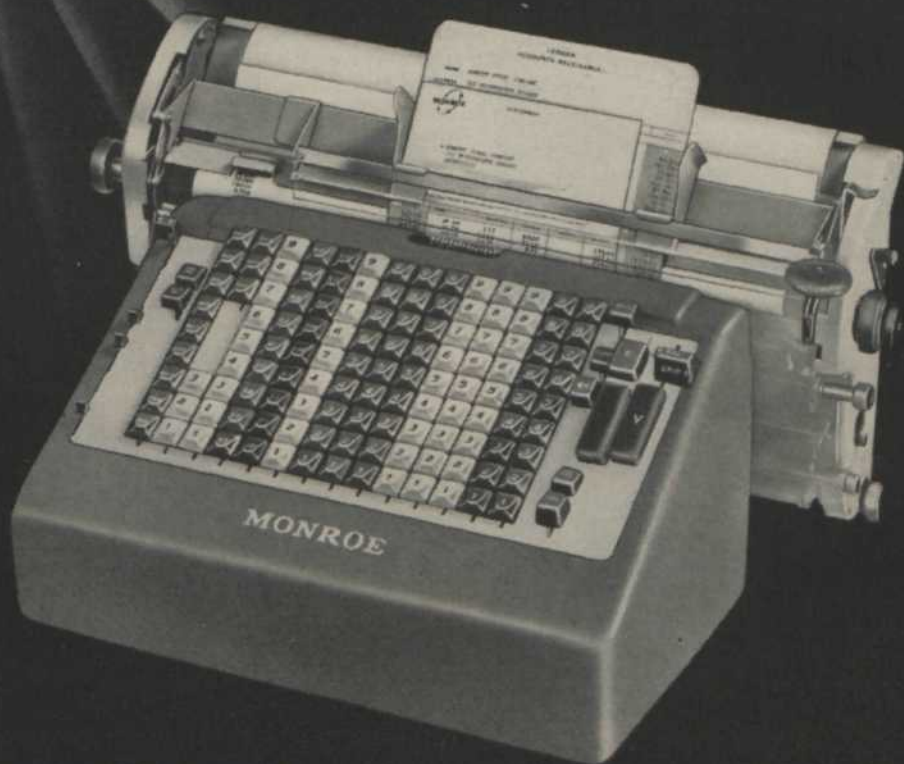
This should lower unit costs still further, help stimulate sales still more.

Consequently, investment may shift from outlays for expansion of capacity toward investment for producing new products and for cutting the cost of producing items already on the market. This may mean no appreciable drop in the rate of investment, but could bring an increase in the yield from the investments made.

Growing consumer demands will require continued increases in outlays for distribution. If cities are redeveloped so as to reduce slums and



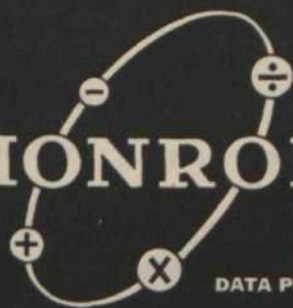
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OUTLOOK FOR THE '60's *continued*

With better statistical tools management can more surely handle economic problems

check blight, a large increase in outlays for commercial purposes will be needed. If cities are not redeveloped and blight is not checked, heavy expenditures for duplicating existing commercial facilities will be required.

In either event, it seems probable that outlays for expanding business facilities, nonmanufacturing as well as manufacturing, will continue to grow.

Local, state, and federal governments are major purchasers of goods and services. Government purchases grew from less than 11 per cent of the GNP in 1929 to 14 per cent in 1947, and to 19 per cent in the years 1955 through 1957. This was about one per cent per year faster than the economy as a whole from 1929 to 1947, and about three per cent per year faster than the economy from 1947 to 1957.

If the rest of the economy grows in a healthy fashion, government outlays may increase to approximately 21 per cent or 23 per cent of the GNP by 1970. This would be about one per cent per year faster than the growth of the economy as a whole—about equal to the 1929 to 1957 rate, but less than the rate from 1947 to 1957.

The growth from 1929 to 1947 was, in large part, a result of increased requirements for state and local governments—requirements for sewers, water, streets, schools and the like.

The growth in federal expenditures from 1947 to 1957 resulted from the Korean-engendered necessity to re-equip our defense forces. The shift from unpreparedness to preparedness was expensive and required the diversion of an increased proportion of total goods and services to defense purposes.

This rate of increase in the proportion used by the military need not continue. The military will get more in absolute terms but it need not continuously increase its share of the take in the future.

If government purchases of goods and services total \$150 billion by 1970, this would be about 20.1 per cent of a \$745 billion GNP. If the economy grows at the rate of 3.5 per cent per year to something more than \$685 billion, the governments'

purchases would represent about 22 per cent of the total.

Should the GNP exceed \$745 billion, governments might use less than 20 per cent of the total—not far from the percentage of 1957.

Putting these three together—personal consumption expenditures, business investment expenditures, and government purchases—it looks as if total sales can continue to rise at a 3.5 per cent per year annual rate through the 1960's.

Whether business does grow at normal rates will not depend on the demand side of the ledger. Demands will be adequate. The rate of growth will depend primarily on business' ability to adjust to changes in demand, its ability to modify institutions so as to serve these changed demands, and on ability to maintain productive relationships with labor so as to discourage an inflation of labor costs.

In the 1930's the cessation of growth was due in part to changes in government policy, which made investment less attractive and changed the rules of the game faster than business could keep up. With that exception, economic fluctuations usually reflect difficulties in making adjustments to changing markets as rapidly as needed.

This difficulty should be somewhat less in the 1960's. The adjustment from an easy to a competitive market, from emphasis on investments for a high rate of expansion of capacity to emphasis for increased efficiency and lower costs, from consumer markets serving middle-aged families to markets serving young and old families, are all adjustments which can be handled.

In addition, management is better trained, more sophisticated, and has much better data than when previous significant adjustments were necessary.

It has always been easy to forecast the end of existing markets. It is not always easy to forecast what new markets will appear and how they will be satisfied. But we do have far better data and far better tools with which to handle economic problems than we have ever had.

For businessmen able to use these tools, the 1960's will be bright years indeed.—ROBINSON NEWCOMB

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FUDGE RIPPLE
LEMON STICK
MACAROON
MAPLE WALNUT
MILK CHIP
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IDENTIFY your CREATIVE PEOPLE

Research supplies guidelines which all companies can use

IMPORTANT PROGRESS is being made in the search for an answer to one of the most nagging questions in business management:

How do you identify the creative worker and then encourage his creative drive before group pressures in an organization maim or kill it?

Tentative answers are included in a new report, "Creativity and Conformity," which is to be published this month by The Foundation for Research on Human Behavior, Ann Arbor, Mich.

The report summarizes extensive research conducted at the University of California's Institute of Personality Assessment and Research at Berkeley, and the Research Center for Group Dynamics at the University of Michigan.

The studies show that:

1. The creative worker can be pinpointed through testing procedures.
2. Group pressures can be controlled to encourage creativity rather than stifle it.
3. Conformers, and the degree to which they conform, can now be identified.
4. Business can effect an intelligent and productive balance between creativity and conformity.

The Foundation is publishing its report with the cautionary note that it is by no means the last word on the

related problems of individual creativity and group pressure.

Nonetheless, the research represents a significant step toward ultimate solution. It reflects business' increasing use of social science and embraces a subject of pressing current interest to all business organizations. Most important, it outlines some steps which business can take immediately to achieve more effective management of the creativity-conformity problem.

Pinpointing creative workers

Business generally is getting far less than optimum benefit from the latent creativity of its employees.

At the same time, business needs creativity, or originality, in virtually all of its endeavors. It must consider creativity in promoting and placing personnel at all levels. It must maintain an inventory of the total creative resources at its disposal.

But what is creativity?

According to researchers, creativity means getting out of a mental rut and looking at things in a new and different way. It results from what the social scientists call "divergent thinking"—the kind of thinking which is constantly attuned to new possibilities. It's the thinking behind discovery, it is insight, intuition. It contrasts with "convergent think-

ing," which brings the pieces of a problem together and works out orderly and logical progressions.

Both kinds of thinking are necessary in an organization. But creativity, or originality, occurs only when divergent thinking takes place.

No one of us is a creative thinker in the pure and absolute sense, says Dr. Samuel P. Hayes, Jr., Foundation director. Every person has elements of both divergent and convergent thinking in his make-up. The important thing is to determine which of these two strengths predominates in an individual. Knowing this, it is possible to put him in a position where his strongest talent is free to function.

The research suggests that people strong on divergent thinking might best be used in positions where their creative thrust can operate freely.

Such positions include basic research—the search for the new; sales work—the development of new markets; advertising copy writing—the creation of new and unusual ideas; in organization staff work—in devising ways to accomplish what less creative people might consider to be impossible.

Individuals strongly inclined to convergent thinking make good organizers, the research indicates. They are useful in posts where they validate the findings of divergent thinkers. In assembling, refining and improving raw data they can exercise a secondary creativity of great value.

Dr. Hayes says these implications extend from the highest to the lowest levels of organization. "Even on the assembly line, the creative, or divergent thinker, exists and can be better used. His suggestions might be sought on such things as how to perform his job more simply, more efficiently, how to cut costs or use waste products."

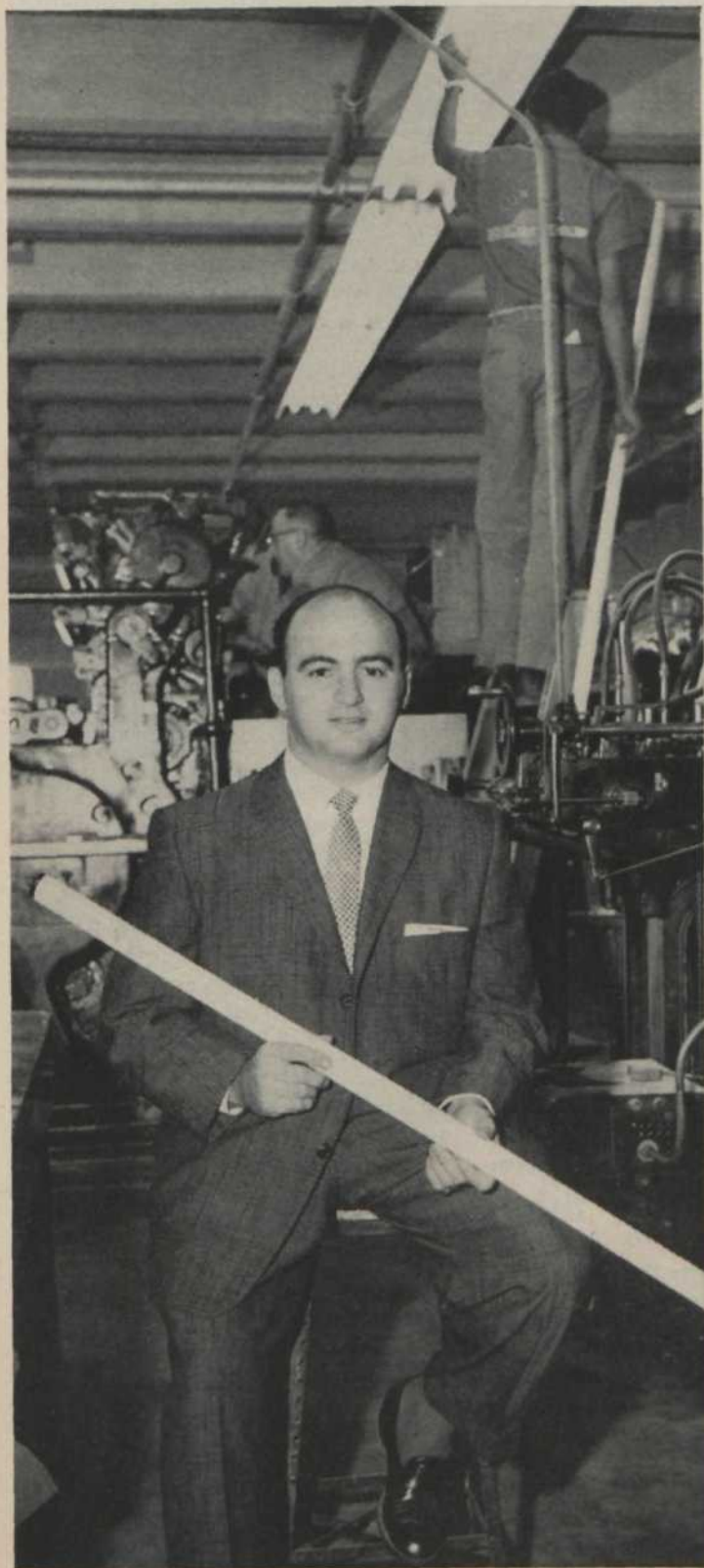
While science does not yet know why some people are more creative in their thinking than others, it has—through research—developed tests which identify original thinkers and provide the first objective measurements of originality.

At the Institute of Personality Assessment and Research eight tests are used:

Unusual uses: The person being tested is asked to list six uses to which a common object such as a newspaper can be put. The less often the answer is given, the higher the score.

Consequences: The participant is asked to write down all the things he can think of which might happen if a stated change took place. Such a

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Tests show that original person has more energy, drive and effectiveness

change might be: "What if suddenly everyone could read minds?"

Plot titles: Two short stories are given. The object is to make up suitable titles.

Rorschach ink-blot-test: The subject gives responses to 10 ink blots.

Anagrams: The object is to make up as many words as possible, using the letters of a test word.

Thematic apperception: The participant is given pictures and asked to make up stories about them.

Word rearrangement: The object is to compose a story using as many of the words as possible from a random list.

Achromatic ink blots: Similar to the Rorschach test, this also is scored for infrequency of response.

These tests require different kinds or originality. The ink-blot tests call for visual originality. The thematic apperception test and word arrangement tests call for verbal originality. Consequences and unusual uses bring out the bright idea kind of originality. Plot titles require adeptness at slogans. Anagrams require word fluency.

The testers have found that people usually are better at one kind of test than another. Visually original people are not necessarily verbally original as well. But those who do well on one kind of test usually have higher than average scores on most of the others.

At Berkeley, the eight tests for originality are supplemented by other testing procedures. Staff psychologists observe those being tested over a three-day period, noting their various personality traits, including creativity. A second check is made by asking colleagues and superiors to rate subjects on creative ability.

Originality appears to be characterized by a preference for complex problems. The original person, the researchers find, sees a great variety of things and takes all of them into consideration. He resists putting them into an organized pattern until they can all be accommodated, and then he forms a complex solution.

The less original person either doesn't see as many elements, or ignores them in favor of arriving at simpler, quicker solutions.

The more original person emerges as an individual with more energy and drive, more striving for mastery,

more effectiveness in his performance. He is more impulsive and responsive to emotions. He is less rigid and is able to tolerate ambiguity. He is dominant and self-assertive.

The Foundation, interpreting the findings of the research on creativity, suggests that management can even now put to good use some of the admittedly still-crude tests used at the Institute of Personality Assessment and Research. The unusual uses and consequences tests might provide useful information in the selection of creative personnel, beyond that based on other judgments.

Moreover, a company might wish to administer the entire test battery

A good boss

Is he an absolute monarch, or the democratic leader of the group? See "Business Needs Mature Autocrats."

Page 34

to its employees, both those known to be original and those known to be unoriginal, "thereby determining the effectiveness of the battery as a measurement device for a particular kind of originality valuable to the company."

Encouraging creativity

Scientists confirm that group pressure can block the expression of creativity by the individual worker. Groups tend to resist changes in the *status quo* and the creative thinker is likely to be one who proposes change in the *status quo*.

Workers who deviate from group standards may be subject to punishment by the group. A test by the Research Center for Group Dynamics conducted in a clothing manufacturing company disclosed that when a

new female employee in the pressing department increased her production above the standard rate of 50 units per hour her sewing was deliberately knocked from her work table and other actions impeded her production.

Similar group pressures can inhibit originality, but the direction of pressures can be changed by making originality a goal of the group.

In the clothing manufacturing case scientists and management tried still another approach which has proved to be useful. They sought to increase the participation of the workers in decision-making in the belief that lack of such participation often has been the cause of hostility toward management and—as a consequence—of worker opposition to initiative and creativity.

Here's how the experiment worked: Three work groups were selected. (The standard rate of production for all groups had been 60.)

Group A received the usual treatment at a work changeover. The need for the change was explained, and the new rates and job descriptions announced.

Group B was given "representative participation" in decision making. It was called together and asked to select representatives to set up the new jobs and the new rates. The representatives worked with company engineers on all details and reported back to the group.

Group C was allowed "total participation." The entire group sat down and worked out the job changes needed. They consulted with the engineer in setting the pay rates and job standards.

"In all groups," the report relates, "the job descriptions which evolved were approximately equal. Everything was approved by the engineer. But the results were very different."

In Group A, production dropped from 60 to 50 and stayed there. Morale nosedived, absenteeism and quitting increased.

Group B, on the other hand, returned to the 60 level of productivity in two weeks. Morale improved; absenteeism and quitting declined.

In Group C—the group with total participation in decision-making—production did not drop at all. Within a short time it climbed to 70 and stayed there. There was no quitting and morale was high.

Conformers

Having isolated the significant characteristics of the creative thinker, the research then turned to an exploration of conformity.

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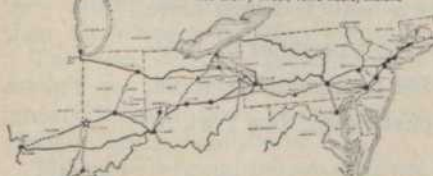
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IDENTIFY YOUR CREATIVE PEOPLE *continued*

Conformers without creative talents can be of great value to businesses

used in recent years, and yet so little understood.

The researchers in California and Michigan use this definition of the term: Conformity is a conflict between what a person says or does and what he really thinks or would like to do. It is more than uniformity, or cooperation, or common beliefs, or conventional behavior. It is a conflict between internal belief and external manifestation.

There are three kinds of conformers:

The cognitive conformer is looking for a solution, or information, and accepts the opinion of the group as being the most likely source. Most people fall into this category.

The expedient conformer believes he has the right answer but will adopt a wrong group answer anyway. He is sensitive to authority and is himself authoritarian.

The passively suggestible person lacks confidence in himself and his opinions. He will readily accept the group's opinion, in the belief that its members must be right and he must be wrong. He has inadequate self perception; he is high on scales of doubt and anxiety. He feels inferior and is often unable to bear up under stress.

Conformists—even extreme conformists—can be of great value to a business organization once their tendency to conform is recognized. They can be used constructively in positions involving organizing, controlling, or in some other work where a high degree of creative thinking is not required. The conformist makes a good team player; he is predictable; he can be used in directing the work of others and in carrying out programs effectively.

Nonconformers are either persons who are sure they are right and stick to their convictions, or persons who always adopt the opposite point of view. The second type, the researchers say, are not truly independent. They are suggestible, but "contra-suggestible," like a child going through the negative phase of growing up. This type of individual uniformly rejects group standards and pressures, right or wrong. The research scientists say that firing may be the only practical way to deal with such a person since keeping him

on the payroll would invite a chaotic effect on company procedures and the creativity of others.

A rather simple experiment has been used at Berkeley to measure conformity. Five people are seated at panels. They know the others are participating, but they cannot see or talk to each other. Each person is asked to answer questions by throwing the appropriate switch on his panel. He sees lights on his panel which, he is told, indicate the votes of the other four persons being tested.

The subjects believe these lights are a communication system between the test booths. Actually, all lights are controlled by the experimenter. Each of the participants can be confronted with an apparently unanimous group opinion contrary to his own. Questions are projected on a screen and those taking part are asked to select the correct answer from the choices given.

The slides vary in content from simple perception questions (which line is the longest) to factual-logical questions (vocabulary, completion of number series) to attitude and opinion questions. Each person can be subjected to group pressures by manipulation of the lights. He sees that line one is the longest; the group, however, is voting for line two, which is obviously shorter. How will he vote?

Here's what the experimenters found on 12 standard items of which four were clear, three ambiguous and five somewhere in between:

The percentage of times they conform with the wrong answer of the group

<i>The Group</i>	
College sophomores (female)	36.5%
Air Force captains	32.4
Mills College seniors (female)	32.0
Medical school applicants	27.3
College sophomores (male)	25.9
Vassar alumnae (average age 40)	22.4
Engineering students (seniors, honors)	22.0
Research scientists	16.0

These are group scores. Within the groups wide individual differences

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IDENTIFY YOUR CREATIVE PEOPLE *continued*

Pressures toward group conformity must be relaxed to let creativity function well

were found. Some persons don't conform at all, others conform most of the time. But—even discounting these individual differences—some interesting trends in group scores should be noted:

Women appear to conform more than men.

Women of 40 conform less than female college seniors.

College seniors conform less than sophomores.

Nonconformists are likely to rate high in intelligence, ego strength, dominance, ascendancy, masculinity. They make high marks on tests of social acuity—the ability to understand other people.

It also has been found that people who are high on originality conform less than people who are low on originality.

Other findings of the research are these:

Most people need some support before they will express a contrary opinion.

Conformity tends to increase sharply when people work on a group task. Apparently conformity increases when people know their actions will affect others.

People who feel rejected by a group to which they wish to belong—such as members of racial minorities—are especially sensitive to group pressure and will conform to group standards much more than people who feel accepted.

Conformity increases when the task or issue is relevant to the group's goals.

Groups with discussion leaders tend to have a better record in problem-solving than groups with no leaders; discussion leaders can insure a fair hearing for minority views.

Another finding which is of particular interest in the research on conformity is the tendency of groups to be inhibited by positions taken by superiors. In a test involving Air Force crewmen, for example, the accuracy of groups improved considerably when a lower status person (a gunner) gave his answer first. In groups where pilot leaders answered first, accuracy fell off. When the pilot was wrong, the other members tended to suppress their true views and go along with his incorrect answers. Accuracy and effectiveness of

groups increase when all true opinions are expressed.

Help for business

The social scientists stress that conformity pressures in an organization are not necessarily bad. They keep the wheels turning smoothly. Without some conformity, "production lines would erupt in turmoil and social machinery would collapse. Group pressures serve positive ends, for society and industry."

The important thing is to achieve a balance between creativity and conformity.

"Management," the Foundation report concludes, "can adopt tests which will identify both the people who give in readily to group pressure and the people who don't."

"Management can also develop groups which counteract the negative consequences of conformity. Participation in decision-making can be used to shift the goals of groups to positive ends. Groups can be formed in which originality becomes a major goal. Machinery can be installed to insure a full hearing of minority opinions. Differences in status can be reduced, made less obvious; the place a member holds in the hierarchy can be consciously eliminated from the standards for judging member contributions.

"Groups can be formed which bring together many different kinds of people; originality seems to flourish under these conditions. Groups can be made aware of the impact they have on their individual members, and they can work to reduce those pressures. Discussion leaders can be trained. Experts can be used as resource people and can be recognized as such by group members.

"If management realizes the impact of conformity pressures and begins to counteract their negative aspects, then some of the ready reserve of originality should begin to appear. The impact of these reserves can be far-reaching and can pay off handsomely for the business which takes time to find and free creativity." **END**

REPRINTS of "Identify Your Creative People" may be obtained for 10 cents a copy or \$6.75 per 100 postpaid from Nation's Business, 1615 H St. N.W., Washington 6, D.C. Please enclose remittance with order.



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How productivity can be improved

Future living standards depend on raising worker output. Here's what governs trends

THIS YEAR A HOST of unions are demanding and getting increases in wages.

Consumers are standing on the sidelines anxiously wondering what effect the increases will have on the prices of the items they have to buy. Investors, too, are wondering whether the demands will result in further profit squeezes.

For everybody—industry, the consumer and the national economy—wage inflation has become a key problem. To solve it, we need to study carefully the relationship between wage rates and productivity.

Such a study will demonstrate that the best wages are those that will result in steady employment and maximum production.

One of the most important reasons for the present economic position of the United States is that its productivity now is extremely high. Today more goods and services are produced in one hour than ever before. This has brought about our high standard of living and increased earnings.

But, if living standards and earnings are to continue to grow in the future, American workmen have to produce even more than they are producing now. If they continue producing even at today's rate, our standard of living can only slip backward.

The reason for this can be seen by examining labor force, employment,

and population trends for the years to come.

Total population promises to grow at a rate three times as fast as the work force. Between 1958 and 1965, the number of Americans between age 25 and 64 will rise by 3.6 per cent. Total population, however, will rise 10.9 per cent.

Between 1958 and 1960 alone the work age group will rise by 0.74 per cent while total population will rise 2.84 per cent.

Look at these facts:

In 1957—the best production and sales year in history—employment averaged 65 million. Unemployment averaged 2.9 million. Population was 171.2 million.

Thus, each 100 Americans at work were producing goods and services for themselves and also for 163 other Americans.

If you accept this employment-unemployment ratio as about the best that can be achieved—a reasonable assumption since it follows the long-term record for best years—then you can anticipate these trends in the years ahead:

In 1960, you can expect each 100 American workmen to be producing for themselves and 170 others.

In 1965, you can expect the ratio to be about the same. Although foreign trade could influence the picture for a short time, over the long run the trends would not be significantly different.

This means that—if we are to maintain our present standard of living—each worker must be able to produce more and better goods and services. Failure to do so will mean that living standards will decline.

If Americans insist on continuously raising their standard of living—a reasonable expectation—then each worker will have to raise his productivity.

An additional factor—rising defense expenditures—will add sharply to the need for raising productivity in coming years. As larger sums are poured into procurement for defense and space developments, consumers will get a smaller share unless higher standards of output increase the amount of available goods.

Such figures emphasize that now is the time for businessmen to look at productivity trends and to examine the factors which influence output. In such an examination it is necessary, first, to understand the difference between production and productivity.

► Production means the number of units produced in a given time by any organization.

► Productivity tells how efficiently the units are produced.

Because it is difficult to measure statistically the many factors that affect efficiency, many people have come to measure productivity in terms of man-hours. The usual productivity figure then results from dividing the nation's output of goods and services by the total number of man-hours of work which were used to produce it.

Using this measure, productivity increased during the period 1909-39 an average of 1.8 per cent each year. From 1939 to 1947, it rose 2.2 per cent a year and, finally, from 1947 to 1956, it increased slightly more than 2.2. Throughout the entire period 1909-56, it averaged an annual increase of 2.2 per cent a year.

It is important to remember that a worker does not have to work more or longer to achieve higher productivity. One of labor's big issues 100 years ago was to obtain a 10-hour day. As late as 1910, workers were putting in a 60-hour week. In the 1920's the week was reduced to 48 hours. The Fair Labor Standards Act in 1938 established the standard workweek for the first year of its operation as 44 hours. In 1940 this was set at 40 hours.

Real earnings increase only with **productivity**

Obviously, then, increased productivity depends on other factors than hours of work. These factors are primarily three:

1. Improved tools and technology.
2. Better management know-how.
3. Training to develop new worker skills.

It is important to understand how each of these contributes to living standards.

Better tools

Better tools, plants and training do not come into existence without cost. Since World War II American businessmen have invested more than \$300 billion in new plant and equipment. By the end of this year, the total spent since 1950 alone will exceed \$260 billion. In large measure this explains why a worker need not work harder or longer to achieve higher productivity.

This staggering amount reveals the enormity of the task which American business has met since the war. Time, materials and money are invested for a long while before any increased production is forthcoming. Investors cannot be given a return until the products are sold.

As a measure of business' desire to raise productivity in the future, 1958 plans call for industrial investment of about \$32 billion. Significantly this will be the largest sum spent in all but two years—1957, when \$37 billion was spent, and the year before, when about \$35 billion was spent.

These large expenditures have contributed in no small degree to our great increases in productivity. As we move into the space age, we can expect even more sensational increases. A factor of great importance is current spending for research. From \$200 million in 1939, private research expenditures have soared to more than \$3 billion a year. The figure includes no government spending. Additional billions are spent which contribute indirectly to improving techniques and raising output.

For American business to continue its advance, large amounts of money must be spent on plants and equipment. This money can come from two sources:

- ▶ Undistributed profits, including depreciation reserves.
- ▶ Outside capital.

For companies to raise this money, some of the benefits from increased

productivity must also accrue to the company in the form of profits.

Profits may be defined as the income which goes to the owners after all other costs have been met. They are the incentive which induces investors to risk their capital in business. Profits may also be considered as the wages of management for organizing and directing the tools of production.

The ability to manage well is rare and, therefore, reasonable profits are a just reward.

The truth of this is brought home when we realize that more than 90 percent of the businesses which fail do so because of poor management. Reasonable profits must be possible to attract people to start businesses with their money—to make jobs.

Once started, if the business is to increase its productivity, management must have profits to devote to more efficient tools and the development of more effective processes.

Sharpening management know-how

Improved management also contributes vitally to increased productivity. Effective and efficient utilization of men, money, and materials is a must.

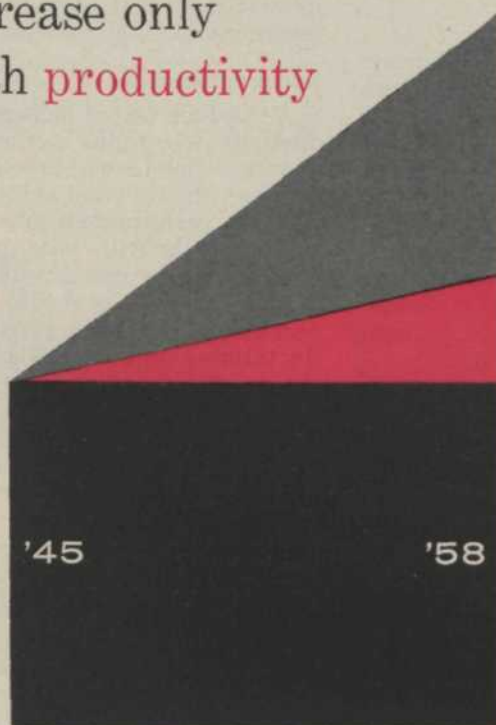
This requires an understanding of the constantly improving techniques of good management.

Management has the job of executive leadership for the organization.

Workers in manufacturing averaged **107.8%** increase in dollar earnings,

but only a

29.3% increase in purchasing power



Executive leadership is performed by those people who make decisions for, and give instructions to, employees. Management may be thought of as the vital spark that activates, directs and controls the organization.

To increase the effectiveness of its managers and submanagers, American industry is spending millions of dollars each year on special in-company and off-the-job development programs.

Although it is difficult to determine precisely how much is being spent for development, conservative estimates are that the total for middle and top management programs is about \$50 million yearly.

A substantially higher figure would be realized if the many thousands of training programs offered by industry to supervisory level and rank and file workers are included.

At higher management levels, industry development efforts encompass a variety of company institutes, skill-improvement sessions, long-range executive development programs, off-the-job seminars and summer institutes, night courses at universities, and work-at-home programs.

An estimated 150,000 businessmen are participating in internal training programs sponsored by their own companies.

About 100,000 are participating in courses on college campuses, or

PRODUCTIVITY

continued

other off-the-job programs. Expense of the off-the-job campus programs ranges from about \$600 to \$1,500 per person.

It is no simple matter to show that management development increases managerial productivity, or the productivity of those being managed. One management authority who has studied these programs—Dr. Joseph L. Krieger, Washington, D. C., consultant on executive leadership—concludes that such programs, when effectively organized, improve man-

agement skills, enable executive personnel to function more effectively in their individual jobs and promote teamwork and high morale.

Training workers

A third method of increasing productivity is training workers. This may be defined as the process which increases the skill and ability of employees to perform their jobs. The resulting skills will raise both the quality and the quantity of output. Since higher wages should be a reflection of increased productivity, the training program brings personal reward to the worker.

From this, it becomes plain that

our high productivity has been realized through effective teamwork. Owners risk their money in the business, provide the plants, raw materials, machinery, tools, facilities and management plans, and coordinate the various activities of the business. Labor develops the vital skills which are necessary for increased productivity in a mechanical age with constant technological change.

Whatever affects any one of the three will prevent the others—and the nation—from enjoying the full benefits which increasing productivity ought to bring. Today several preventive factors are at work.

It is interesting, for instance, to note the contrast between the average hourly earnings plus fringe benefits on the one hand, and the output per man-hour on the other. During the period 1939-1956, the output per man-hour in the steel industry rose 64 per cent. During this same period, average hourly earnings rose 201 per cent and average hourly earnings plus fringe benefits rose 211 per cent. This condition brought an increase in unit labor costs during this period of 89 per cent.

The railroad industry experienced a similar trend.

For the manufacturing industries as a whole, average hourly earnings increased by 214 per cent during the period 1939-1956 whereas the output per man-hour for the same period increased by only 48.8 per cent. This condition more than doubled unit labor costs for this period. Later data show these trends are continuing.

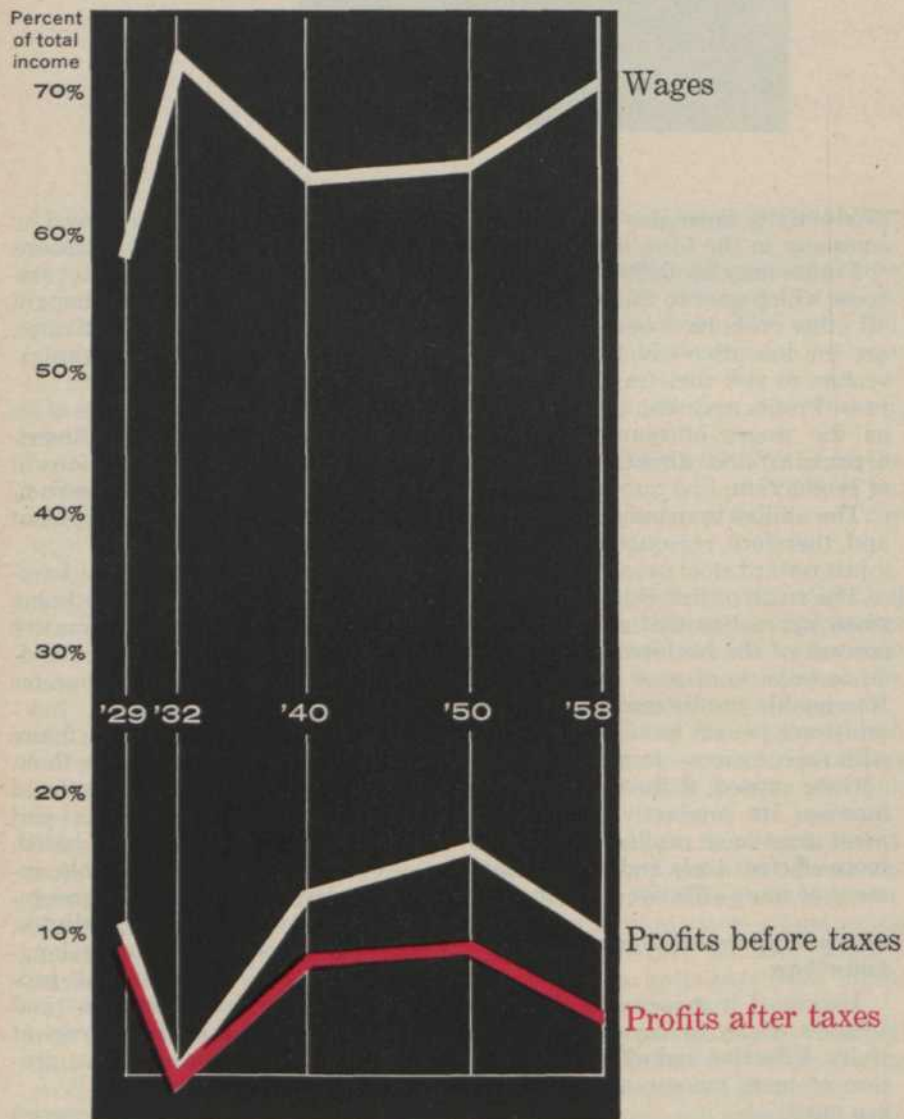
These figures reveal that wage increases have greatly exceeded the increases in productivity. This is reflected in the rise of unit labor costs. When the unit labor costs to produce a unit (such as a shirt, dress, or iron) rise, it is usually necessary to increase the price of the article to cover the increase.

This impact on prices cannot be ignored because it affects the pocket-book of everybody. It highlights the fact that, without increased productivity, labor cost increases will raise unit labor costs and force price rises. Otherwise a profit squeeze is inevitable.

Wages have been improving greatly. However, gains in purchasing power have been less than the raises would indicate. Prices, due in part to wage increases, have been going up right along with the rise in wages. Thus, real wages, (the quantities of goods and services that may be bought with the money received as wages) differed greatly from money wages during the period.

The important thing is not how

Profits point down, wages head upward



Incentive to invest in better tools depends on revival of profit margins. Commerce Department comparison of wages and profits as percentage of total income reveals trends



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PRODUCTIVITY

continued

much money an individual possesses, but how much he can buy with that money.

This difference between real and dollar wages is important.

Average hourly dollar earnings in

manufacturing industries have risen steadily each year since 1929. The past 12½ years have witnessed a particularly remarkable advance—from \$1.02 to \$2.12.

However, during the same period, prices rose so that real wages increased far less than dollar wages. The following figures highlight this situation:

	AVERAGE HOURLY EARNINGS	CONSUMER PRICE INDEX (1947-49=100)	REAL AVERAGE HOURLY EARNINGS
1945	\$1.02	76.9	\$1.326
March, 1958	2.12	123.7	1.714
Per cent change	107.8%	60.9%	29.3%

The gain in real wages during the period is not as sensational as the increase in dollar wages, but 29.3 per cent is nonetheless a major gain. It should be remembered that this rise in real wages was accompanied by significant fringe benefits, such as pensions, sickness, accident and health plans, vacations and so on.

These figures indicate clearly that a wage increase without a corresponding increase in productivity causes a price rise. The price rise, in turn, normally brings about a situation where real wages have increased less than money wages.

Another adverse factor is the decline in spending for new plant and

equipment. By the end of this year, the annual rate of spending may be as low as \$29 billion. Plainly something is preventing investors from risking their savings to provide workmen with better tools.

A look at profits will provide some answers. From a peak reached at the end of 1956, profits have continued to decline. Perhaps an upturn here would be the soundest signal to watch for in anticipating a new upturn in capital spending.

Figures compiled by the U. S. Department of Commerce provide a comparison of the percentage of total income apportioned to wages and profits:

	1929	1932	1940	1950	1956	1958
Wages (per cent)	58.2	73.2	63.8	64.3	70.3	71.5
Profits before taxes (per cent)	10.9	-7	11.4	16.6	12.7	9.8
Profits after taxes (per cent)	9.6	-8	7.8	9.2	6.3	4.5

Percentages for 1958 are estimated on figures to date. The data reflect a continuation of the trend toward higher wage costs and lower profits.

If this trend continues, it is clear

that the incentive to get new tools and plants will be further decreased.

Meanwhile, hourly earnings, including fringes, have been increasing at about five per cent annually:

	MANUFACTURING STRAIGHT-TIME AVERAGE HOURLY EARNINGS	HOURLY FRINGE BENEFITS	TOTAL
1951	\$1.59	\$.315	\$1.905
1953	1.77	.346	2.116
1955	1.88	.392	2.272
1957	2.05	.449	2.499

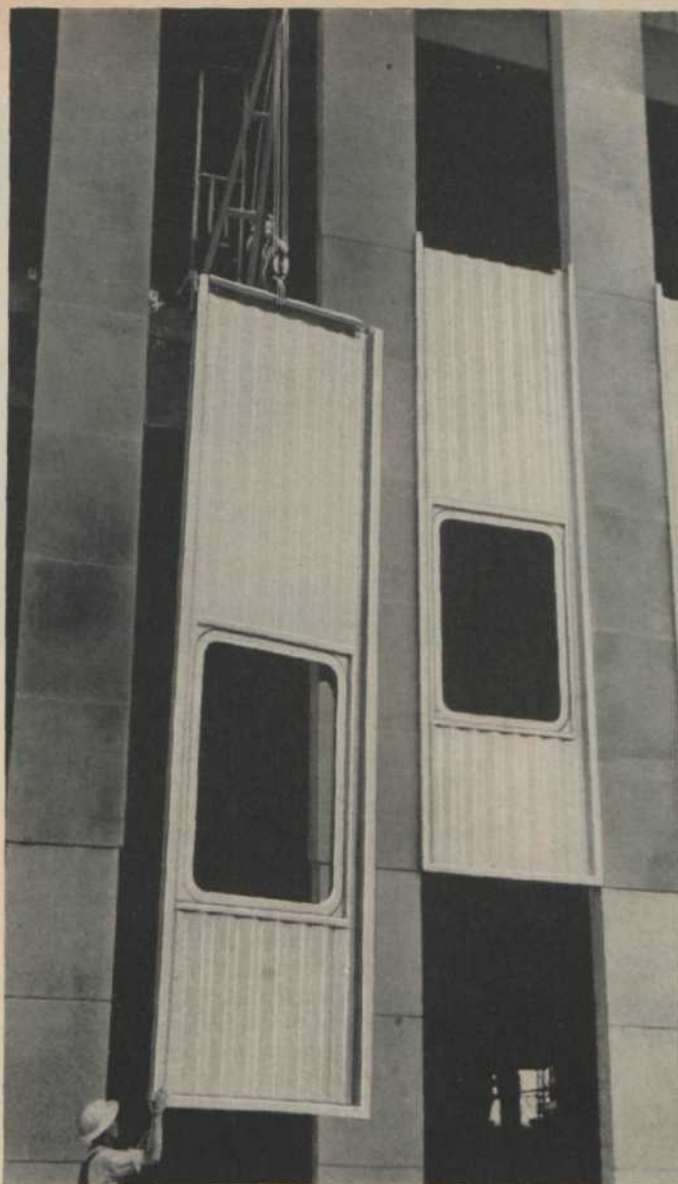
These figures indicate that unit labor costs are rising, placing a constant pressure on profits. If we project this trend into the future—and there is no reason to believe that productivity will suddenly rise or that unions will not demand wage increases—then wage inflation will continue to add a further impetus to the already critical inflationary

condition in which we find ourselves.

What then is the answer?

It is to make sure that business will make a profit and will have the necessary money to invest in plants and equipment that will insure the future of the company as well as the nation.—JOHN R. BEISHLINE

Professor of Management,
New York University



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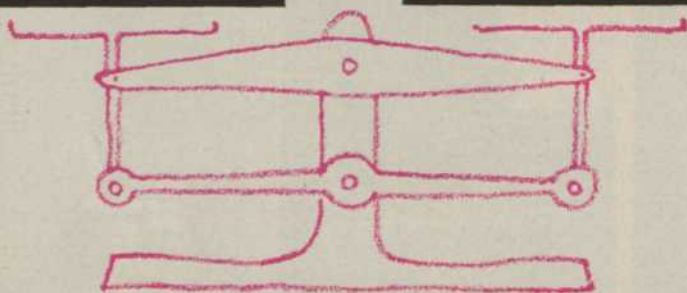
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GRADUATES ASSESS EXECUTIVE SCHOOLING

course benefits

time and cost



Follow-up check of managerial students points up personal and company benefits

ARE PARTICIPANTS in professional executive development courses obtaining a value commensurate with the time spent?

Are their companies receiving a value commensurate with the cost?

These questions are important to the continued success of professional executive development courses. Although more than 30 universities are now offering such courses, little has been written about specific benefits. One reason is that both critics and advocates of the courses agree that it is difficult to measure benefits scientifically.

Unlike in-plant courses given by staff members, where emphasis is on training, emphasis in professional development courses is on education.

Although both these aims involve the learning process, they involve it in different ways. In training, the individual learns to do things by imitating others; he learns specific skills. It is possible, therefore, to contrive means to measure his progress.

Education, on the other hand, im-

proves the ability to reason. This brings changes in human behavior, new attitudes, new habits in thinking, reasoning, judging and making decisions. But these habits are also affected by one's family background, innate ability and experience. With this set of complex variables, it is difficult to set up common standards to measure benefits received from a policy type of professional course.

Nevertheless, some measures of value can be established and some research is being done. At the University of Pittsburgh, a procedure has been in effect since 1952 to ascertain the benefits received by those who have attended a course known as Management Problems for Executives.

This course is presented principally to executives in the upper middle management levels. The objectives are:

1. To develop the ability to think and act in the interest of the business as a whole.
2. To broaden the vision of the

participant beyond the departmental areas where he is working and interest him in all aspects of management.

3. To emphasize the importance of human relations and leadership in organizations.

4. To develop an understanding of the influence of the broad, social economic and political factors within which business must operate today.

The course was first offered in the spring of 1949. It has been given twice each year since then. Some 1,135 executives have attended 20 sessions. Their average age was 42. They came from 38 states, the District of Columbia, Hawaii, and 43 foreign countries and represented 233 different organizations in 59 industries, the Air Force, Army, Marine Corps, Navy and other government departments.

The curriculum initially included managerial accounting, administrative practices and business policy, financial policy, industrial management, industrial relations, marketing policy and statistics. At present, "business policy" has been segregated as a separate course and "business and government" is being given in place of statistics.

At the end of the first session, class members were asked what benefits they felt that they had received. Although all agreed that the course had stimulated their thinking, they felt that it was too early to formulate any definite opinions.

Three years later, in 1953, a questionnaire was sent to participants in the first class. It has been sent to members of each succeeding class three years after their graduation. Two hundred and six graduates of the first 13 sessions have replied.

The questionnaire asked graduates to appraise the course in four general ways:

- What benefits did you receive immediately on completion of the course? one year later? three years later?
- In what manner were your per-

THIS CRITICAL LOOK at the value of executive educational programs is one of the first such analyses to be published in this area of strong current interest to businessmen. It has been prepared by C. L. Van Sickle, director, Management Problems for Executives, at the University of Pittsburgh, Pittsburgh, Pa.



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Replies show the value of the courses; are useful in planning future studies

sonal benefits reflected to the advantage of your company?

► How have you applied the subject matter of the course in your work?

► Do you have greater confidence as to your value to the company?

Personal benefits

Under this heading the graduates were asked to catalog results in five categories: comprehension of business management fundamentals; importance of business problems; improvement in decision-making; development of personal confidence; appreciation of human relations.

A summary of responses showed that benefits from comprehension of business management fundamentals were more pronounced immediately upon completion and one year after completion of the course than they were three years later—apparently a logical result.

The business problems in executive management tended to become more important at the end of one and three years. This result likewise seems logical, because sufficient time had elapsed for these men to apply the principles learned in the course.

Decision-making showed most improvement one year after graduates had completed the course.

The development of personal confidence revealed the peak benefit one year after the completion of the course. The three-year period also revealed more pronounced benefits in this respect than had been realized immediately after completion of the course.

The appreciation of human relations likewise was greater one and three years after completion of the course.

After four years, the school decided that a sufficient number of replies had been received to provide a pattern for rephrasing this question in a way to bring a more detailed response. The new questionnaire has now been used for four classes. When all the information is catalogued, the five principal values to graduates seem to be:

1. Close association with executives from other organizations, industries, and fields of interest—the cross-fertilization benefit.

2. Better understanding of the interrelationships between the various

management areas. This indicates accomplishment of the second objective of the course: to broaden the vision of the participant.

3. An opportunity to sever connections with one's job for eight weeks and have time for reflective thinking.

4. A greater realization that a problem may have several alternative solutions. This indicates an all-important benefit relating to the executive's decision-making responsibility.

5. Development of a new approach to the understanding and handling of business problems. This also relates to the decision-making process.

Advantages to company

Many of the replies to this question implied indirect benefits to the company through greater personal efficiency attributable to the course.

► Better able to handle industrial relations, management and personnel problems.

► Better able to coordinate activities in own department.

► Better able to understand administrative duties.

Other answers, however, reported specific actions or inauguration of specific programs:

► Inaugurated a cost control committee and a cost accounting system which reduced waste and increased profits.

► Obtaining increased production at less cost through realization that workmen should be handled with tact.

► Was given assignment of making

an over-all survey and analysis of company procedures, which recommendations were placed in effect.

► Prepared new management guides for effecting better controls by all middle management executives.

► Developed greater harmony in work of 250 male and female employees.

► Convinced top management that a modernization of company management practices would result in more profitable operation.

Principles applied

Although this question was somewhat revised after the first five years, responses both before and after the revision provided helpful guidance to those in charge of the school curriculum. Among specific applications of principles were:

► Material help in company reorganization and administration.

► Helpful in general planning and conduct of the organization.

► Instituted a management development program for use in company.

► Improved organizational planning.

► Improved coordination of technical activities of supervisors.

► Using material and knowledge received in course in teaching and educating staff.

► Better experience in making decisions.

Asked to list the subjects studied as to value received from each, the graduates' answers, as summarized, showed the result in table below.

As a result of the relatively low ratings received on the last two subjects, the approach to marketing policy has been completely revised, and statistics has been removed from the curriculum.

Greater confidence

For the first 11 sessions, the question was: "Did you have a feeling of greater confidence as to your value

How executives rate schooling

Managerial accounting	63%	29%	8%
Administrative practices	57	37	6
Business and government	34	49	17
Business policy	50	50	..
Financial policy	45	50	5
Industrial management policy	23	50	27
Industrial relations policy	43	40	17
Marketing policy	8	41	51
Statistics	4	42	54

Per cent of total received benefits of		
Great value	Some value	Little value
63%	29%	8%
57	37	6
34	49	17
50	50	..
45	50	5
23	50	27
43	40	17
8	41	51
4	42	54

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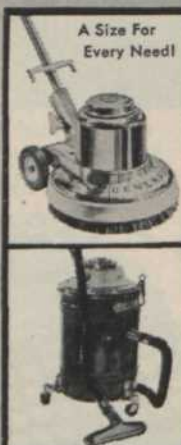
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EXECUTIVES ASSESS SCHOOLING *continued*

Promotion record of graduates is one measure of value of managerial study

to your company after completing the course?" It brought such answers as these:

"Consideration of possibility of several alternatives in making decisions has given me more confidence in making decisions, which have been better ones."

"My confidence has been so improved that I have accepted the challenge to review and change many present policies and practices for better coordination of company operations."

"Previous to attending the course many decisions had been made on intuition; after attending course could state logical reasons for action."

"Now recognize that business enterprise is a team of specialists who must perform a coordinated job, and that my ability has been improved to do so."

"Able to comprehend situations more quickly, saving valuable time and being more self-confident respecting my judgment in decisions."

After the first 11 sessions this question was replaced by:

"Did the M. P. E. course bring about better relationships between you and your supervisors and subordinates?" The answers:

	Yes	No
Your superiors?	71%	29%
Your subordinates?	70%	30%

Among the reasons for better relationships with superiors were:

- Ability better to understand the problems of superiors. (52 per cent of those replying named this factor.)
- Greater appreciation of the responsibilities of the superiors.
- Increased confidence superiors had in ability for better performance.
- Broadened perspective of management problems brought more recognition.
- Development of a better understanding of the motives behind superiors' actions and operations.

Better relationships with subordinates were attributed to:

- Understanding better the problems of the subordinates and a greater consideration of their viewpoints. (45 per cent of those replying named this factor.)
- Have shown more tolerance and understanding of their problems and operations respectively (25 per cent of those replying named this factor).
- Willingness to listen to their suggestions.

► Ability to establish better lines of communication.

► Ability to delegate in a more businesslike manner.

► Gaining more prestige as a result of having attended the course.

In the majority of replies which indicated that better relationships had not been established with superiors and subordinates, it was indicated that good relationships were already in effect.

The opinions expressed in the answers to the questionnaire are, of course, those of the people who participated in the course. They cannot be regarded as unbiased witnesses, although the patterns of similarity reflected in their replies do give some indication of the strength of the course and the areas where improvement in managerial techniques is needed—or where men in managerial positions believe that it is needed.

It is true that the values and benefits of training, either to the graduate or to the company, are not expressed in terms of finite measurement. Putting a yardstick on education is not easy.

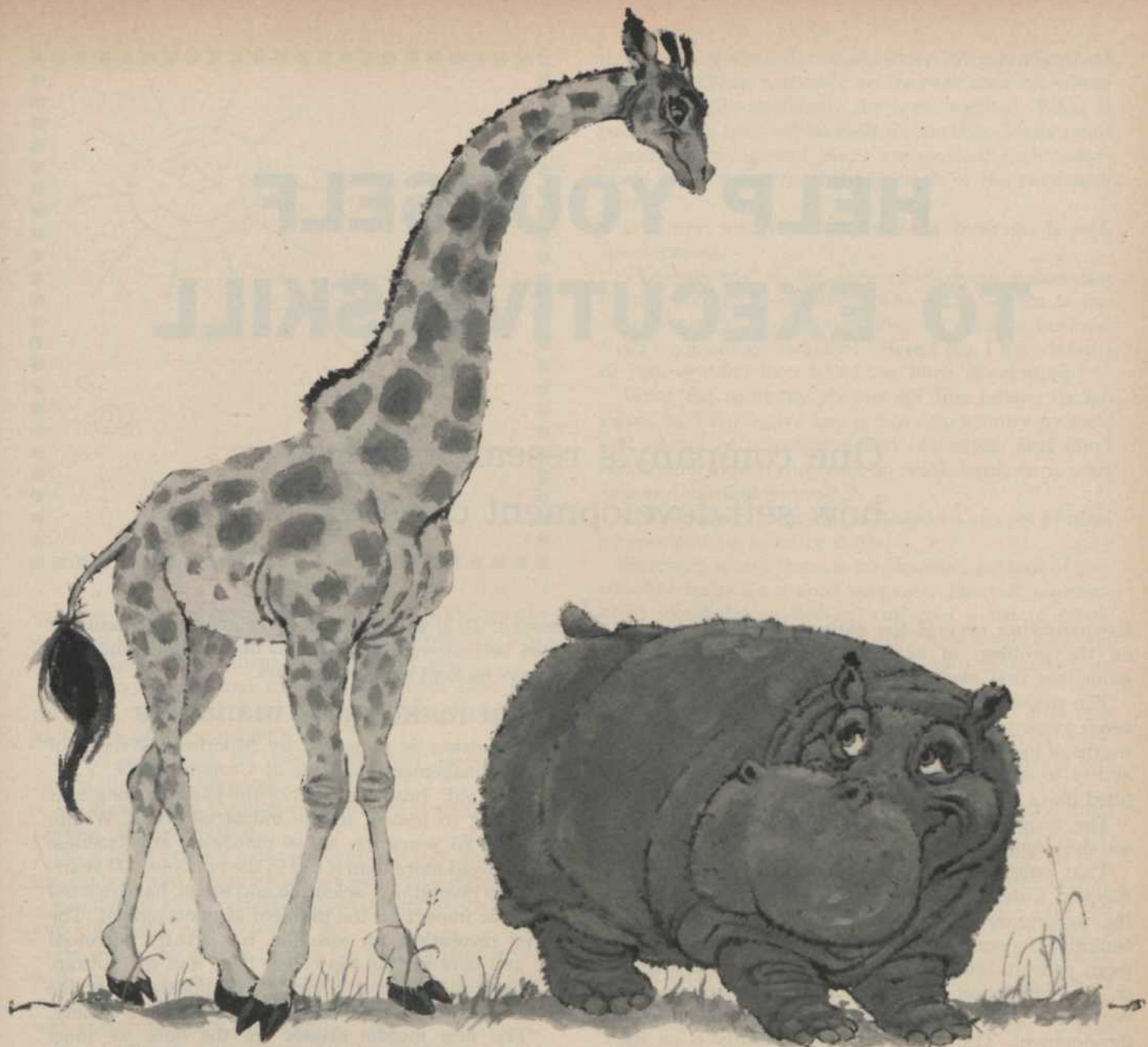
However, professional advancement may serve as a sort of test of accomplishment and job mastery. The promotion record of the graduates is, therefore, of interest.

Three years after taking the course, the promotion record of graduates looked like this:

	Number of executives	Per cent
No promotions or none reported	40	19.4%
One promotion	110	53.4
Two promotions	45	21.8
Three promotions	10	4.9
Four promotions	1	.5
Total	206	100.0%

From this evidence it is believed that the four basic objectives of this executive development course have been and are being achieved by those who have attended. It is, likewise, believed that the question initially posed: "Are professional executive development courses worth their cost?" can be definitely answered in the affirmative, at least in the light of the source data used in this study.

END



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HELP YOURSELF TO EXECUTIVE SKILL

One company's research shows
how self-development can work

FINDINGS BY ONE of the nation's major companies on the problem of executive development provide guidelines that most businessmen will find useful.

The major truth that shows through clearly after seven years of intensive exploration of the ways and means of locating and developing managers is that the ability to supervise the work of others cannot be applied like a coat of paint.

The acquisition of that skill must come through self-development.

That approach has been adopted by the General Electric Company and stems from its research and the experience of 50 other companies. Harold F. Smiddy, General Electric's vice president for management consultation services, says: "Our concept rests on the conviction that the individual manager can best plan, guide and persistently accelerate his own development. The stress and responsibility is on the manager himself."

In establishing its own management development approach, GE answered four major questions:

What are the manpower needs for managers? A five-year budget for acquiring and developing managers is recommended.

What makes good managers? Nine characteristics of good business leadership were identified.

What are the principles of development? Ten basic principles emerged for company guidance.

How can a company help managers develop? GE's approach is based on three steps.

Manpower needs

GE's chairman of the board and chief executive officer, Ralph J. Cordiner, says, "Not customers, not products, not plants, not money, but managers may be the limit on General Electric's growth." To break this bottleneck, company units are asked to look ahead five years, visualize changes in technology, new markets, consumer demands, etc., and translate these in terms of the numbers and kinds of managers

needed. It is suggested that the manpower-manager plan be reviewed each year at budget time, and thus always be kept ahead five years.

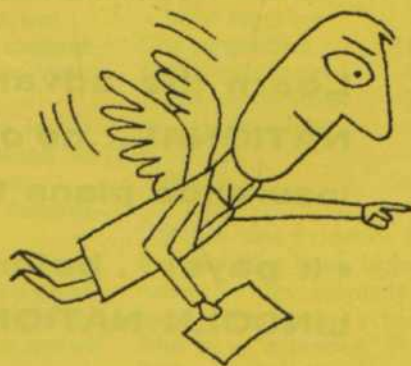
What makes good managers

The answer is suggested by Moorhead Wright, of GE's Management Institute at Crotonville, N. Y.:

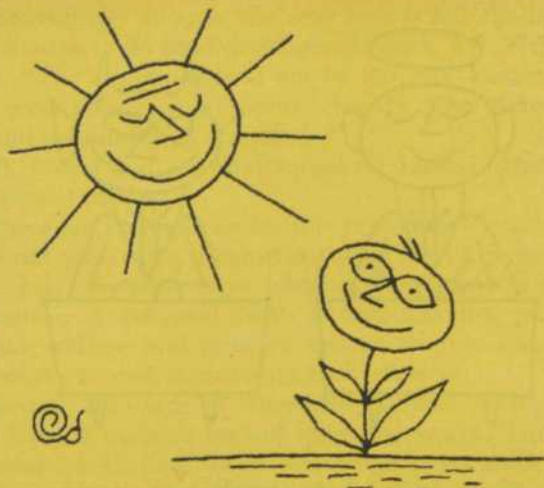
"The old, intuitive, seat-of-the-pants manager is not going to prevail in the industrial scene. Within the past 25 years the job of managing any business has changed more than it did in the previous 300 years.

"Two revolutions, scientific and social, have exerted a terrific impact on the problem of management. The social revolution, for example, has greatly narrowed the gap between the top of the heap and the bottom. It has brought about a virtual disappearance of the lower class, and an expansion of middle-class society.

"The new middle classes are the ones we must



Develop own power



Create working climate

manage. They are not serfs or slaves; they are people in their own right. They have a new freedom, and arbitrarily ordering them around won't work."

GE's experience and research supported this concept and developed these characteristics of the size and shape of the manager's job:

He should lead by persuasion and inspiration, rather than by command.

He should lead through planning, organizing, integrating, and measuring.

He should make a balanced and effective use of all the human and material resources at his command.

He should have a good understanding of the skills and knowledge needed for his job.

He should be able to inspire his subordinates to act with initiative, self-development, self-discipline and competence as members of a team, and maintain two-way communication with them.

He should be able to see his job in terms of the broad aims of the company.

He should be able to operate within the current and potential economic, social and political climate of the component he is managing.

He should be able to achieve challenging objectives successfully, economically, profitably, and on time.

He should be able to balance the best interests of customers, share owners, employees, suppliers, the public and the government.

A manager who fits these characteristics will be able to create what Mr. Smiddy calls "a working climate where employees will themselves voluntarily perform to their best abilities."

Development principles

The next task of the researchers was to discover how such managers could best be developed. One product of this phase was 10 basic principles to guide a company. They are:

1. The development process is highly individual. Mr. Wright states, "We cannot successfully develop

managers by canned, cut-and-dried, overstandardized methods. There just isn't an average man on whom you can apply uniformly the same method. What is good for one may not be good for another. Many management development plans are needed, each tailor-made to fit the strengths and needs of the particular person."

2. Every man's development in business is self-development.

The company, at best, can unlock doors. A boss can inspire and point out directions. Mr. Wright is uneasy about the young man who comes to a business fresh from college and says, "Here I am. I have talents or you wouldn't have hired me. Now, develop me."

What the company should tell this fellow, he believes, is, "We'll give you a real opportunity to grow and plenty of orientation and education. But don't come here unless you want to work hard, earn your pay and develop yourself."

3. Development cannot be based on any set of ideal or specified personality traits.

Research shows there is no standard pattern of personality traits for a good manager. The GE Management Consultation Service collected a list of traits, abilities, characteristics and attributes for leaders and managers found in writings on the subject; many were contradictory and often absurd.

Some thought hobbies were good; others said that a hobby might make a manager grouchy about working on Saturdays. Several argued that swearing was bad.

But Mr. Wright says forcibly: "Personality traits are not something upon which we can base our development approach. The rating sheets based on personality traits generally fail in actual application. Time and time again men who rate poorly turn out to be good managers, and vice versa. Even such a faithful stand-by as education is a poor measurement. In the Army, half of those with the best IQ's never had a college education, and that is true of a high percentage of our own executives. We have to take



"Develop my talents"

men as they are, with the traits and training they have, and try to bring about their development from that basis. The focus should be on the man's work. It can be seen, identified, analyzed, measured. There's always an important check point in evaluating a man's work: Can he get results through the efforts of other people?"

4. A man's development is 90 per cent the result of his experience in his day-to-day work.

Outside interviewers asked 300 top GE managers, "What was most important to your development?" Ninety per cent replied, "It was working for so-and-so at such-and-such a place." Only 10 per cent gave credit to such other factors as educational background, special courses, or rotation. Another test on the records of 800 GE managers gave the same result.

5. Opportunity for development must be universal.

The practice of arbitrarily picking out promising men and giving them exclusively a chance at the big try does not work. Checking up on 143 such men selected 10 years ago showed only 37 per cent fulfilling the promise.

Universal opportunity for development leaves room for the happy surprises, dark horses, poor starters and strong finishers.

6. Primary emphasis should be on development in the present job, rather than stressing promotion.

This latter method underrates the current job and raises undue expectations. Instead, the company should say, "Boys, keep concentrating on doing today's job particularly well. This is the base from which all advancement is made." Such an attitude helps get the work done. The development process should be built in the normal conduct of business, so that they work together, rather than compete for time and energy.

7. Managing is a distinct profession or science.

Business today recognizes two parallel top echelon operators, the individual contributor who may be an engineer, scientist, salesman or copy writer, and the manager. Both have important roles and, in many



Skill, not traits, makes manager

cases, equal status and pay. The manager, as compared to the individual contributor, must be willing to get a vicarious satisfaction from the work of others and to manage others.

Thus, the best engineer is not always a good engineering manager or the star salesman the best sales manager. The temptation to pick the best individual performer and convert him into a manager often has tragic results. The new manager may be frustrated and fall down on the job, and the company may lose an outstanding individual contributor.

8. Decentralizing decision-making is a development key.

Books, lessons and advice on how to meet dilemmas may be helpful, but they are no substitute for actual experience. Making a decision is a mental, psychological and emotional experience since it involves risks. A person who has led a comparatively sheltered life free from decisions is likely to be paralyzed by indecision when faced with problems.

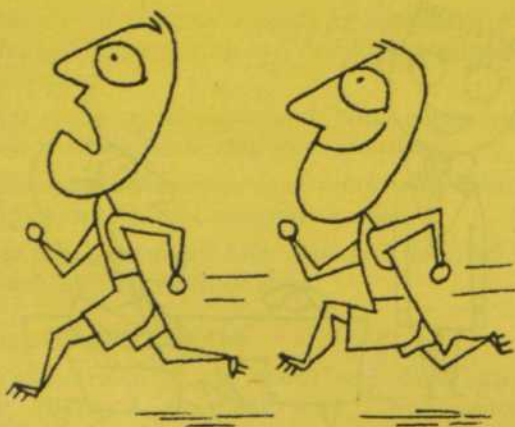
One large corporation discovered that many of its best executives came from small and isolated plants; their development was greatly stimulated by the need to make decisions as they came up. They were not able to run upstairs and ask somebody, "Is this right?" and then later say, "You told me to do it," if anything went wrong.

9. Line managers at all levels are responsible for helping to develop the people under them.

Many managers would like to shove this job off on personnel specialists and grumble, "My job is to make the product at a profit. I'll get a staff man to handle this development or send the boy to a school."

However, separate development programs are not too successful. The man is appraised by someone other than his boss, takes special company courses, acquires new knowledge, and may come back to meet with either apathy or resentment from his manager. This creates frustration and friction.

The manager's daily responsibility of developing his men has practical results. His becomes a shop



Leave room for dark horse

where the employees work well with him, and together do a better job.

Interestingly enough, the easy boss is not challenging enough to do good development work. Mr. Wright says, "The climate should not be too soft. People do not grow strong in a tropical climate. The manager should demand high standards."

10. Moral and spiritual values are basic in the development process.

There are two reasons for this principle. First, man does not achieve his greatest potential from a materialistic goal; he must have idealism to reach top performance. A company with a practical interest in human welfare and progress has no trouble keeping its employees and stimulating their interest.

Second, decisions of American business managers will have a massive impact upon the world. This is because the United States and many of its allies are business oriented; they look to business for leaders and ideas. So the manager has a responsibility far beyond the immediate scope of his job.

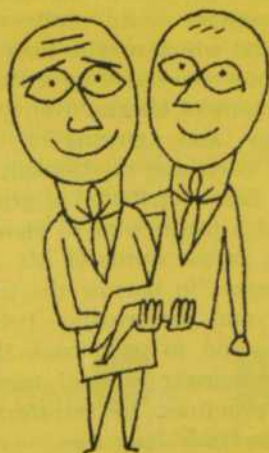
Developing managers

With these principles in mind, the manager is ready to embark on the development of his men. At GE, the training approach covers the following preliminary steps: appraisal, setting the course, and preparing the personalized training plan.

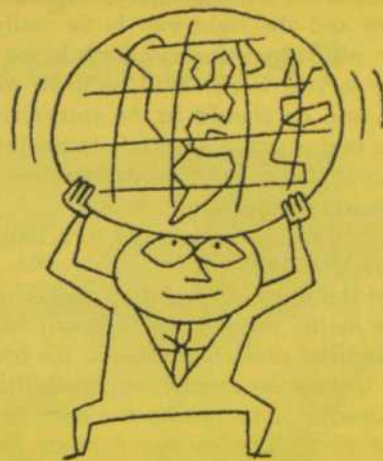
THE FIRST STEP is the appraisal. At the preliminary conference, the manager will have two sets of criteria. One he gives to the volunteer for self-appraisal; the second he fills out himself. The manager may explain:

"We will both observe you, what things you do best and the least well; what you enjoy most, whether you operate best alone or with others. You might let your wife help you fill out your own analysis, but that is a private matter for you to decide. I don't want to intrude into your home.

"After we have both had a chance to watch you closely, we'll meet again and check notes. (The man usually grades himself more harshly than his manager



Easy boss no challenge



Decisions have world impact

does.) I'll tell you in advance that my appraisal of you will not go into the company records. This is a private matter between you and me."

The criteria may be divided into nine major categories, as follows:

Significant contributions in terms of profit, market position, technological awareness, public responsibility, and understanding of the market.

Knowledge of the company, its philosophy and structure, its customers and suppliers, and the many social and economic factors affecting its business.

Personal characteristics: dependability, high ethical and moral standards, and the courage to stand up for what he thinks is right. (This latter has a high priority. The manager who perpetuates the mistakes of superiors is weakening the company.)

Health: Does he have good health, stamina, mental outlook and emotional stability?

Use of mental equipment: Can he think on his feet? Can he move swiftly into new situations, dig out essential facts, steer clear of booby traps, and make decisions?

Effectiveness as an individual: Does he have a strong drive pushing him ahead? This drive—partially belief in himself and his career and a compelling need to succeed—will pull a man over many rough spots and wearying calms.

Effectiveness in working with others: Does he work well with others? Do his associates like and trust him, does he get his message across to them? Is he willing to manage the team rather than be the star player?

Supervising others: Can he plan and organize work for others? Does he set high goals, delegate, settle differences, build cooperative spirit, help his men grow.

Effectiveness in measuring the work of others: How well does the manager function here? He should have a practical system for gauging the performance of his men. The employees should understand the system and the standards used. Top performance should be rewarded promptly.

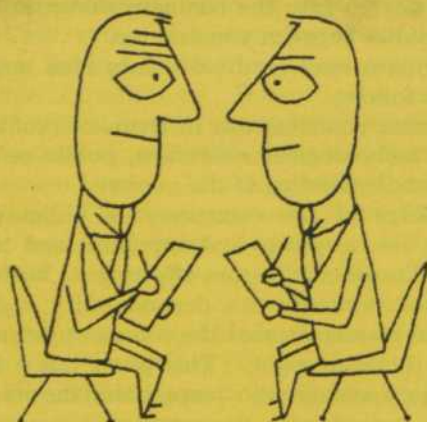
THE SECOND STEP is setting the course for self-de-

velopment. The manager and the man must make basic judgments on whether the man is in the right kind of work and the right job. Is he really a better manager or individual contributor? Is he better in operating or service work? Will he grow most in his present function or should he be transferred to another? Is his performance adequate to his present job? Is he capable of the growth needed to meet future as well as present demands of his job?

If not, should he be transferred to a more suitable place, or removed?

Will he in the foreseeable future make his greatest contribution in his present job? Should he be given fresh opportunities and challenges in his present job? Is he ready to take on greater responsibilities?

THE THIRD STEP is preparing the personalized self-development plan. The manager plays the role of teacher, adviser and counselor. Both men outline what they consider to be the strengths and weaknesses in the various categories, and what actions both the individual and the manager can take. Both should recognize that the finest laboratory for self-development



Check and recheck

is the job itself. New responsibilities, new opportunities to learn different skills or improve old ones, exposing the man to the problems of the manager, and a close coach-trainee relationship offer infinite ways to test and build men.

Three other avenues for broadening self-development are recommended. The first is the man's educational program. General Electric believes that every man of management potential must keep growing in knowledge. He must understand the changes occurring in the world, and improve his own skills. Special courses would be needed for the would-be manager who is weak in accounting procedures. The man who has set his sights on export business with his eyes on a job in Brazil should study world trade, the history, economics and customs of Brazil, and the Portuguese language. This upgrading cannot be done by casual reading alone. GE recommends formalized educational work periodically.

GE has individual reading and study plans, decentralized management courses (some 17,000 men have taken the first such course, and a second, on the relations between manager and employee, is being readied for fall), outside courses offered by management groups and schools, and its own Advanced Management Course. This latter is a 13-week schooling period at the Institute.

A second avenue is outside activities to expand a man's horizon and talents. These might include professional societies, community activities, charitable and church organizations, public speaking, and writing for publication.

Finally, if the man has physical, mental or emotional problems that may interfere with his development, he can be encouraged to go to medical or other counselors. General Electric does not believe the company should attempt to force its way into the man's inner life except to offer general advice when it is requested. If, for example, a man's continual violent arguments with his wife distract him from his work, his manager would not rush in to mediate or make specific recommendations. But he would be justified in suggesting that the man take his problem to a qualified outside counselor.

At the end of a testing period, perhaps six months, the manager and his assistant meet outside the company property, possibly at a nearby hotel, to discuss their appraisals and the self-development plan. Here the manager lines up his judgment with his assistant's hopes.

Disagreements, and they are inevitable in most cases, should be worked out so no trace of bitterness or resentment remains.

Suppose the man thinks he should be a manager, but his own boss after close observation believes he is far better suited to be an individual contributor. One way out of this dilemma would be for the manager to put the man in a managerial spot for a test run. Or, perhaps another man wants to be a general manager and has had no experience in the sales department. The manager can arrange for him to get sales work and take sales training.

In another case, the man may say, "You make all the decisions yourself, boss, and never give me a chance." The manager could reply, "All right, I'll switch some of the which-way-to-turn problems over to you, and see how you stand up under fire."

After several hours of talking over the man, the job and the company, and agreeing on a development plan, a new and enriching relationship should be established. Each has contributed a great deal to the other and gained a fresh point of view.

It is this way, in the words of Mr. Cordiner, that the company hopes "to narrow the tremendous gap in insight, skill and performance between the best and the average, and to push back the frontiers of the unknown, to convert rules of thumb into tested principles and practices, to transform hunch into learnable and teachable language." —TRIS COFFIN

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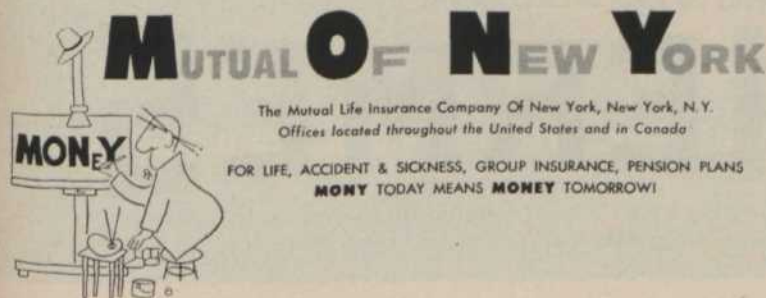
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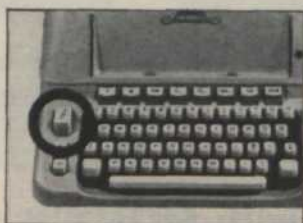
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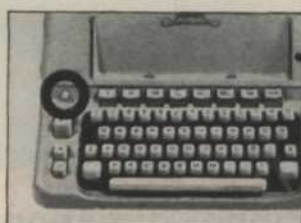
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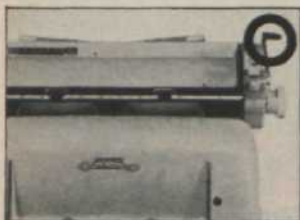
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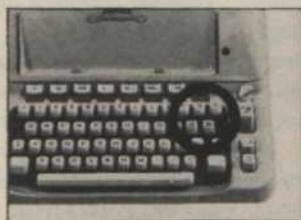
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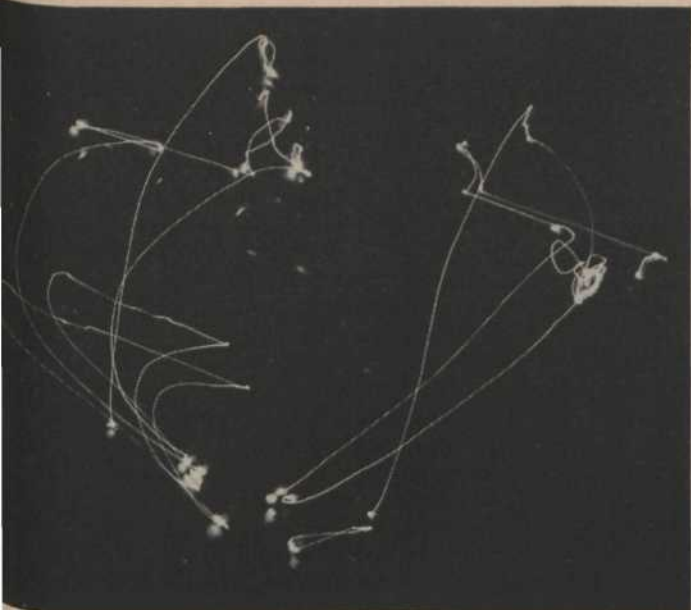
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THE NEXT CONGRESS

continued from page 33

revised the legal ceiling on the national debt to permit higher spending.

Mr. Stans told NATION'S BUSINESS that the budget deficit "could be eliminated by fiscal 1962, possibly even by fiscal 1961," which begins less than two years from now. However, as Mr. Stans notes, "People want economy generally, but they want increases specifically."

Another pressure on spending, as Sen. George D. Aiken, Vermont Republican, points out, is the growing power of the career federal employee whose natural "tendency is toward propagation and perpetuation of programs and jobs, no matter which party is in power."

Estimates of the federal budget for the current fiscal year have gone as high as \$80 billion. In fact, the House Ways and Means Committee has warned of the prospect of \$80 billion budgets over the next five years, as compared with the \$72.8 billion budget that sparked the economy drive in 1957.

Deficit estimates for the current fiscal year have gone as high as \$13 billion. Deficit estimates for the next two years range from \$5 to \$7 billion and \$3 to \$4 billion respectively.

Many politicians still insist that defense spending is the reason for swelling federal spending. However, national security expenditures are just about what they were five years ago. Federal nondefense spending, on the other hand, has nearly doubled. Increased outlays for welfare, agriculture, veterans and housing have rocketed costs upward.

One reason federal civil spending has reached such proportions is that Congress has given up a good deal of control over future obligations. Through what is known as public debt transactions, many public programs are financed without normal Appropriations Committee and Budget Bureau controls.

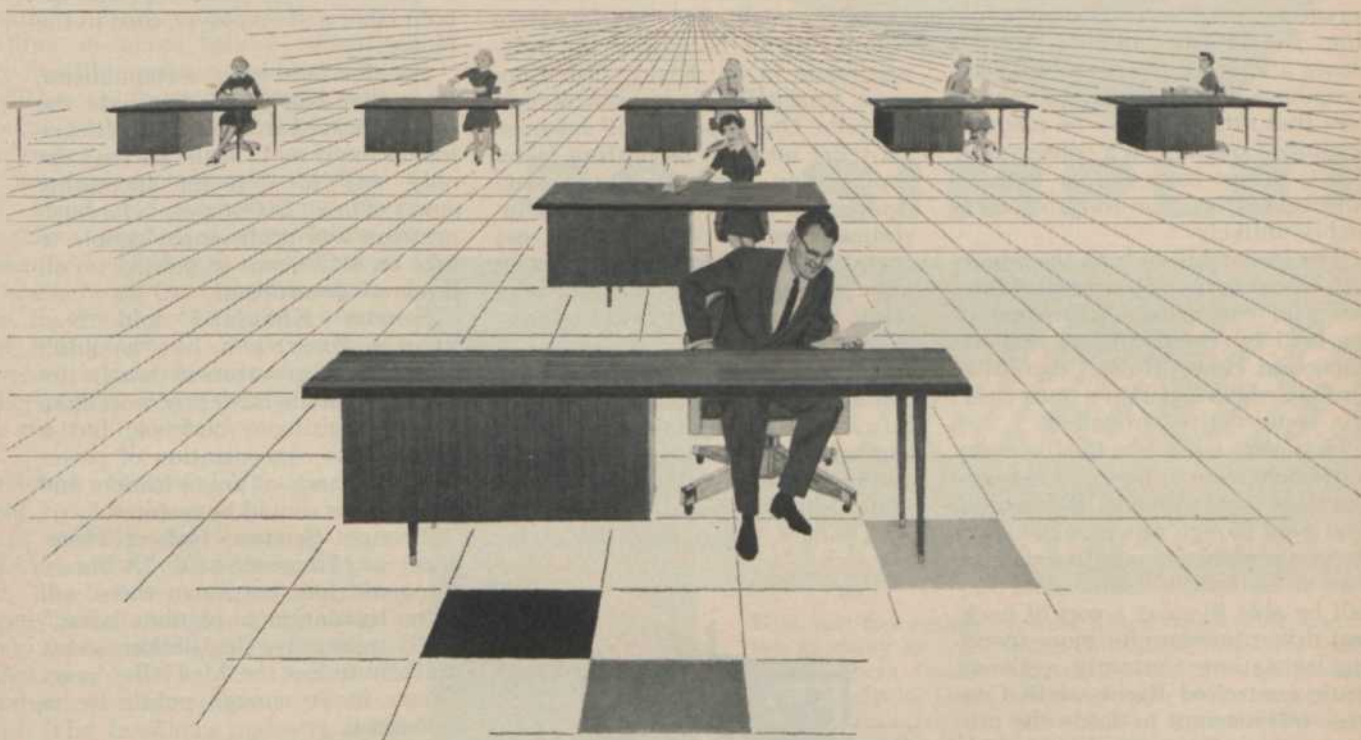
Trends, pressures

One Democratic strategist analyzes the legislative outlook for the Eighty-sixth Congress this way:

"I don't expect any spectacular results, nothing like the 100 days in Roosevelt's New Deal. We're already in the pension business. We're already supplying federal money for schools, housing and hospitals. But certainly more money will be spent in these programs, and they will be broadened as the state and local governments fail to meet the needs."

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welfare state has already been taken," notes Rep. Charles E. Bennett of Florida. "That was the establishment of a federal Department of Health, Education and Welfare, by which Uncle Sam began underwriting a field of government which most constitutional lawyers felt was reserved to the states. You can't unscramble eggs."

Some members of Congress feel that, if the November election sweeps into Congress a much stronger welfare force, it will bind the conservative southern Democrat-old line Republican alliance into a closer and more effective bloc. Rumors have circulated in both chambers that attempts may be made to organize Congress on a conservative versus liberal basis, rather than by political parties. However, this seems highly unlikely.

The leadership in both the Senate and House is not ultraliberal. Many powerful committee chairmanships are held by conservatives, and the important House Rules Committee, through which legislation must clear, is a conservative stronghold.

However, with practically every retirement from Congress, a less conservative replacement is assured. And even though new members lack the power of members with seniority, their votes count the same. And they will be able to exert a sort of back-seat driver pressure for more spending legislation. Certainly a Democratic controlled Eighty-sixth Congress will attempt to outdo the productive record of the Eighty-fifth, in order to have some up-to-date political fodder for the 1960 race.

It would surely be subject to continued pushing leftward by organized labor and other pressure groups. Sen. Barry Goldwater of Arizona notes labor unions will put their men full time on the staff of a member of Congress to provide speeches, research, bills and amendments to support the labor cause.

Old issues, new ideas

The Eighty-fifth Congress enacted several historic measures, broadened a number of established programs and batted about some new ideas, all of which will have an impact on the doings of the Eighty-sixth Congress.

It set up an agency to administer the exploration of space. It opened the way for admission of Alaska as our forty-ninth state. It passed a long overdue postal rate increase. It extended the Trade Agreements Act for longer than ever before. It ap-

proved freer exchange of atomic information and materials with our allies.

Here is a closer look at major national issue areas and the outlook for old and new legislative ideas.

Taxes—There is little likelihood of tax reduction in the next Congress. Chairman Wilbur Mills and ranking Republican Member Daniel Reed of the tax-writing House Ways and Means Committee both gave *NATION'S BUSINESS* this forecast.

Few members would vote for reductions which would enlarge the already swollen budget deficit. Even if the financial picture were brighter, Congress might feel less forced to take tax action because of the progress made in the Eighty-fifth Congress. Enacted this year were several tax bills. One was a small business tax-relief measure permitting faster depreciation for machinery and equipment, bigger deductions of investment losses, carry back of net operating losses for three years in some cases and the spreading of estate taxes on closely held businesses over 10 years.

Another measure, the so-called Mills bill, made a number of technical changes in the laws, tightening loopholes and relaxing hardship provisions. A large-scale excise tax revision bill also made many technical changes. Then, too, the excise



levy on transportation of freight was allowed to expire this year. Altogether, however, the changes reduced revenues by less than \$1 billion.

Though no reduction is planned for the Eighty-sixth Congress, a sizable revision of the law is expected in the complex areas of corporate reorganization, estates and trusts and partnerships. Attempts will also be made to make the tax returns simpler. No changes are likely in individual or corporate rates.

Possible later revision may come in the use of capital gains tax treatment, taxation of investment income of insurance companies and depreciation allowances. Some influential members of the Ways and Means Committee feel that capital gains treatment has been extended beyond its proper limits, that a new formula may be needed to tax insurance com-

pany investment income and that more rapid depreciation should be allowed on capital investments.

Barring a big war, it is highly unlikely that taxes will be raised. Many members agree that rates are nearly confiscatory now.

Labor—Exposure of corrupt union practices by the McClellan Rackets Committee has produced little corrective action by Congress. The only legislation enacted was a measure to require the disclosure of welfare and pension fund operations. The so-called Kennedy-Ives labor reform bill which included some concessions to labor as well as restrictions for both labor and employer, died in the House.

Senator Goldwater, a Republican, fears that labor will dominate the Senate next year, if the Republicans lose as many as 12 seats. He says the only way to stop the increasing power of labor in Congress is for businessmen and professional people to take an active part in politics on all levels of government.

Senator Knowland told *NATION'S BUSINESS* he "wouldn't want to see government hostile toward legitimate labor any more than toward legitimate business, but a tremendous concentration of power is in the hands of union leaders and the balance should be restored."

Though Senator Hubert Humphrey of Minnesota said, "A liberal Congress does not mean there will be no legislation to regulate labor," really restrictive legislation seems unlikely unless the McClellan revelations incite enough public ire to demand it.

The big goals labor is seeking are repeal of that section of the Taft-Hartley law which permits states to have right-to-work laws, easing of restrictions on secondary boycotts, limiting employers' free speech, and extension of coverage and increase in the minimum wage. Labor's wanted list also includes: liberal tax, social security and other health, education and welfare changes. Increased minimum wage coverage as well as broader social and welfare benefits may be in store, as well as the possibility of further temporary jobless pay benefits, if unemployment is still high next winter.

Health, education and welfare—There is a chance that by the end of the Eighty-sixth Congress some broad-gauge health and welfare measure like the so-called Forand bill will be law. Rep. Aime Forand's bill is strongly backed by the AFL-CIO. It would increase the wage base on which the Social Security tax is levied to \$6,000, increase retirement

benefits and provide hospital and surgical care for beneficiaries. Some form of federal health benefits or hospitalization plans seems likely eventually.

Senator Humphrey told NATION'S BUSINESS he does not believe the next Congress will enact any health insurance plan, but that hospitalization for the elderly as part of the Social Security program is possible. "We'll start paving the way at any rate," he said.

As the "economy grows, Social Security payments and assessments will increase," predicts Sen. George Smathers, Florida Democrat.

Other members believe compulsory health insurance and socialized medicine will be proposed next year, though probably not accepted by Congress.

"You can expect a wave of federal aid ideas and no sensible approaches," predicts a conservative.

Sen. Mike Monroney of Oklahoma forecasts broad federal aid to education in school construction, grants and teacher pay. Many members representing a wide scale of political belief predict action in this area in the next couple of years.

Business controls—Though outright freezes on prices and wages seem unlikely, the threat of more federal controls on business will persist. The Senate Antitrust and Monopoly Subcommittee expects to continue administered price hearings. Questioned will be the steel, food products and farm machinery industries. The insurance industry also will be probed.

The House Monopoly Subcommittee plans hearings digging into rate agreements among steamship lines.

Without doubt Congress will renew consideration of a proposed antitrust law revision that would remove good faith as a legal defense against price discrimination where the effect of the discrimination would be to lessen competition "substantially." But as a staff lawyer said, "Anti-trust legislation always takes years to get through."

Probably proposals to require businesses to notify the federal government prior to a merger also will be reconsidered in the next two years.

Big and sudden spurts in the stock market could bring another Banking and Currency Committee probe. Federal regulation is possible to require more investor information from corporations with unlisted securities. Other changes may be made to tighten the Securities Exchange Act.

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THE NEXT CONGRESS

continued

industry competition and prices of household appliances.

Small business—More and bigger loan programs, protection and benefits to aid the small businessman to compete undoubtedly will be proposed.

"We'll be courting small business again for sure," as one member put it.

The Small Business Administration was made permanent this year, and the ceiling on single loans the government may make was raised from \$250,000 to \$350,000. The interest rate was sliced from six per cent to 5½ per cent. A new kind of financial institution was authorized under another bill to give small business a stake. The Small Business Investment Company Act authorizes long term loans and equity capital through state and federally chartered private investment companies.

New ideas will undoubtedly be proposed to let small businessmen deduct from their taxable income part of their earnings reinvested in capital assets and inventory, or to let them take deductions on part of their income set aside under retirement plans. The cost in lost revenues probably will make Congress hesitate to enact such ideas as these, however.

Urban matters—"What we need," says Senator Humphrey, "is a Department of Urban Affairs, like the Departments of Labor and Commerce and Agriculture."

"Emphasis will change from consideration for the farmer to consideration for the city populace," predicts Republican Sen. Clifford Case of New Jersey.

These two comments foretell increasing federal attention to such matters as housing, urban redevelopment, public utility and transit problems.

More guarantees of larger mortgages at lower interest rates, public housing schemes for middle income as well as low income families, and all sorts of proposals to meet problems of social delinquents in slum areas, the elderly and the handicapped seem to be in the offing.

Agriculture—A new basis for figuring support prices on farm commodities, which brings them closer to market prices, won support in the Senate this year. It held out new hope for economies in this area and sounder approaches to remove some

of the federal controls from farming.

From many quarters in Congress comes insistence on drastic changes in the farm support idea. "The days of special consideration for the farmer are gone," comments Senator Aiken, ranking minority member of the Agriculture Committee.

The farm budget this year is estimated at from \$6 to \$6.5 billion. About \$5 billion of this will be for stabilizing income and prices. With an ever narrowing segment of the population engaged in farming, and declining power forecast for the farm bloc, some changes are bound to be made, possibly in the Eighty-sixth Congress.

Foreign aid—A number of members predict less emphasis in the future on old-style foreign aid.

"It's the wrong medicine," said one member of the Foreign Relations Committee.

More use probably will be made of the new Development Loan Fund. Or possibly some idea may be adopted such as Senator Monroney's proposal for an International Development Association to make long-term low-interest loans for economic development repayable partly in foreign currencies.

Foreign economic cooperation, possibly more through the United Nations, and with both government and private interests involved, is likely to be extended. U. S. food and fiber for gifts and for sale to underdeveloped countries may become an important part of our foreign policy activities.

Power and resources—Though the Tennessee Valley Authority failed to get congressional authority to expand by issuing revenue bonds, advocates will undoubtedly try again next Congress. Other large scale federal construction of power projects seems likely, too. The public power forces in the Eighty-sixth Congress will likely be strengthened for upcoming battles with private power in the atomic energy development field. Legislation to relax federal controls over independent natural gas producers seems less likely.

Federal-state relations—Initial progress made by the Administration in trying to find federally administered programs that could be properly turned back to state control has been halted. The growth of grants-in-aid and federal intervention in state and local affairs will receive increased support from the Eighty-sixth Congress as far as can be seen now.

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Strong personal goals build company strength

Meshing employees' ambitions with organization objectives develops both creativity and efficiency

AN EMPLOYEE with strong personal goals is more valuable in the long run than the zealous team player who always puts the organization's interests above his own.

Management can help employees to develop such personal goals.

These conclusions emerge from a psychiatrist's study of the problems involved in maintaining individual creativity in today's highly structured business organizations.

The psychiatrist is Dr. Addison M. Duval, assistant superintendent of St. Elizabeth's Hospital in Washington, D. C. Dr. Duval is uniquely qualified to apply the insights of modern psychiatry to business problems. He is the only practicing psychiatrist who has gone through the management course of the American Management Association. He proved to be such an apt pupil that the AMA invited him to join its faculty. He now serves as a visiting lecturer at the association's school in New York.

From conversations with hundreds of executive-students at the school, and from his own experience as No. 2 executive of an institution with nearly 3,000 employees, Dr. Duval is convinced that:

In every field of activity, forward-looking managers are gravely concerned about the tendency of the modern organization to smother individual talents beneath a blanket of conformity.

The most effective way in which managers can combat this tendency is to encourage employees to develop

personal goals that are consistent with, but not necessarily identical to, the goals of the organization.

The climate of many organizations today, Dr. Duval believes, is distinctly hostile to the development of articulate personal goals.

"The team player has become the hero, and the eager beaver the villain of business folklore. Young executives particularly are imbued with the idea that it's bad taste to have—and worse taste to admit—any private ambitions that might conceivably differ from the company's plans for their careers."

The belief that the organization's needs must always take precedence over the individual's desires has a deadly effect on creative endeavor.

"Routineness is a killer," says Dr. Duval, "and routineness is rapidly becoming the hallmark of the modern organization."

Dr. Duval does not believe that concentration in great intensity on one single operation necessarily leads to the greatest efficiency.

"Too much concentration in a limited area of operation denies individual self-expression. The greatest proportion of the individual is wasted. Carried to the extreme, standard organization systems can become debasing, dehumanizing processes that produce little more than a business brand of bureaucrat."

Dr. Duval suggests the building of personal goals as a specific for this form of organization illness: "Any man will work much harder and more imaginatively to achieve a goal that he has set for himself



YOICHI H. OKAMOTO

Dr. Duval puts into practice with his staff the doctrine that personal aims should be encouraged

than to meet any standard of performance imposed on him from the outside."

The personal goals that keep a talented employee reaching out may be formulated in terms of money, status, self- or group-esteem, service to a cause, or a mixture of all of these. From management's viewpoint, it does not matter greatly whether an employee's motivations are selfish or altruistic. Any kind of private ambition stimulates productive effort.

"Management's job," says Dr. Duval, "is to channel—not destroy—this natural ambition to meet the needs of the organization."

Dr. Duval offers these suggestions to managers who want to help their employees develop personal goals:

1. Don't approach the task with the sole idea that it's good for the organization. This is a basic flaw in many executive development programs. "The whole emphasis has been on the organization's needs for capable executives, rather than on the individual's need to grow."

One reason why St. Elizabeth's Hospital has been able to attract and hold a fine staff, Dr. Duval believes, is that it recognizes an obligation to its em-

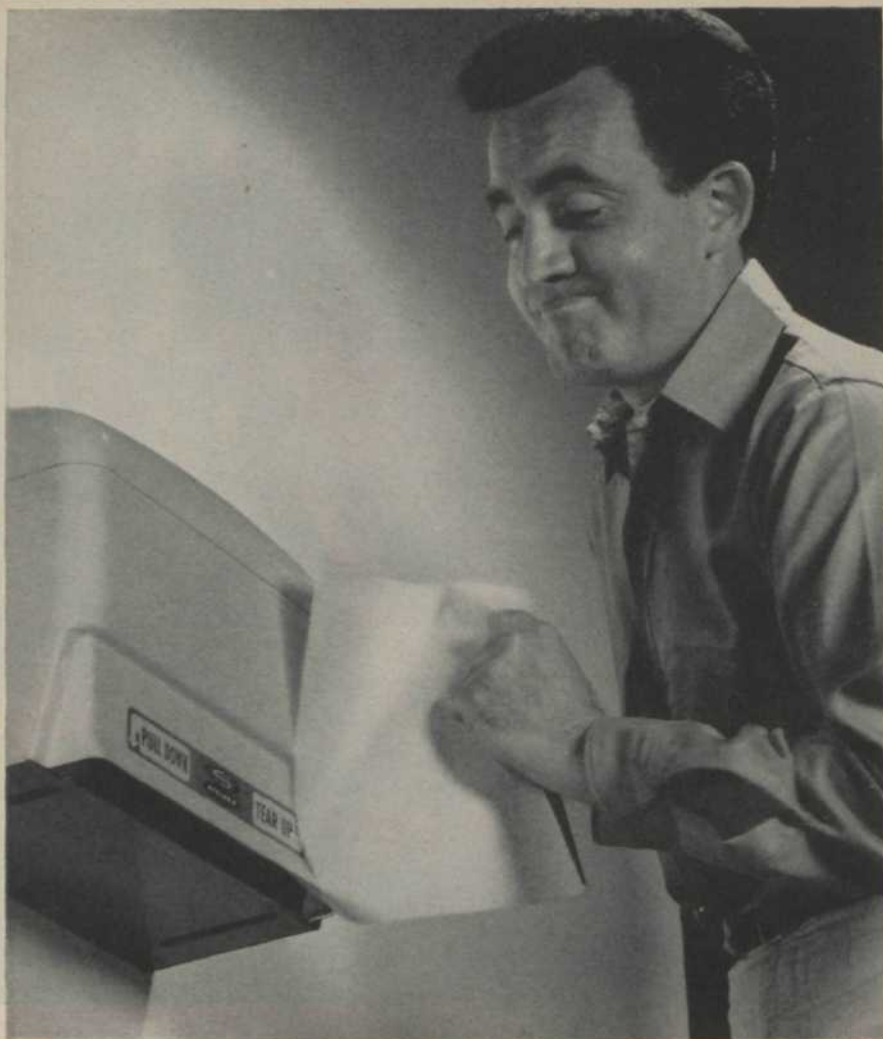
ployees as well as to its patients. "One of the stated goals of our organization is to enable each individual on the staff to realize his own professional potential, whether that potential is applied within the hospital or some place else.

"This is certainly a legitimate goal for a business organization. Several well managed firms in recent years have explicitly included it in their formal creeds. To adopt that kind of creed—and mean it—is an excellent start toward helping employees develop personal goals."

2. Be prepared for the possibility that the personal goals of a strongly motivated employee may occasionally come into head-on conflict with the immediate interests of the organization.

"As a matter of fact, an organization should suspect the presence of many time-servers in the outfit if no such conflicts break out periodically," Dr. Duval says. For example, the employee may seek a transfer within the organization that fits nicely into his career plans but leaves you with a hole in the organization chart. What's your decision?

"If you insist that he stay where he is without mak-



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PERSONAL GOALS

continued

Managers can help workers overcome motivation blocks

ing some effort to meet his personal goals, you are building trouble," says Dr. Duval. "The likelihood is that he will leave you at the first opportunity. Then your condition will be worse because you will have two holes in your organization chart and both of them will be harder to fill because your reputation has slid somewhat downhill."

If it's a question of minor inconvenience to the organization and major benefit to the individual, approving the transfer will be a small price to pay for convincing a talented man that the company really does want its people to have a sense of direction and that the management stands ready to help.

3. Remember that there are factors, other than the climate of your own organization, which may have to be overcome to instill effective motivation in some employees. Dr. Duval lists two in particular which have contributed to the "aimlessness" of many young people today:

One is the steady dissolution of family ties. A boy who has a close relationship with his father is "much more likely to develop strong career goals early in life than one who is deprived of this relationship."

The other factor is "the general sense of insecurity which has grown out of the depression of the '30's, two world wars and the introduction of nuclear weapons."

These are deep-seated emotional problems, and no manager can cope with them simply by ordering an employee to set himself some goals. Even though the manager must buck these strong social influences for insecurity, Dr. Duval believes that an answer to the setting of personal goals can be found in motivation.

"This goes far beyond the average idea of counseling," says Dr. Duval. "It involves an intimate knowledge of all the people in the organization and a faith in their abilities which is almost spiritual in depth."

Employee A must set his personal goals with the help of the manager, who in turn must understand the interrelationships of A with B, C, and D, and the personal ambitions of these employees.

"This is the art of management—with the heavy accent on man," says Dr. Duval. "As such, it is a much more complicated relationship than the usual counseling process."

Motivation is the key to the setting of personal goals.

"The man must want to use the manager as a resource for his personal ambitions."

The employee must feel challenged to seek advice from wherever it might be obtained.

"The wise manager knows this and plants ideas up and down the line which will stimulate and challenge the employee. You've got to keep him coming," says Dr. Duval. "If you do this well, the employee will seek advice in the most helpful context—that is, his personal ambitions—and will accept even the most sweeping suggestions and act on them."

"Stop talking and listen," says Dr. Duval, "when the employee seeks your advice on achieving his personal goals. Motivating the individual is the most important consideration. To ridicule the individual's ambitions because they don't fit the needs of the organization is certain to have serious consequences."

Dr. Duval counsels executives to pay serious attention to the employee and draw him out as to where he would like to be five years from now. From that starting point, one can lead him into conversation about "what he's doing compared to what he might be able to do if he tried." Tie his personal goals to the organizational goals so long as they mesh and "if your personnel practices are sharp enough, you may find that the employee is happy to accept moderate revision of his personal goals for the privilege of staying with a good organization."

Build a real fire under the personal goals of the employee, says Dr. Duval, when you find out what they are. All organizations have need of most professional people. Obviously all such people can't have fully satisfying careers in every organization. A lawyer in a research and development laboratory may feel himself wasted. The challenge is to help him become the best lawyer possible irrespective of his ultimate locale of practice, and utilize his fired-up ambitions while he is with the organization. "He may only stay half as long," Dr. Duval says, "but he'll be twice as good because you helped to develop him as an individual. Personal goals and organization needs are both better served by this kind of cooperation."

—LOUIS CASSELS &
RAYMOND L. RANDALL



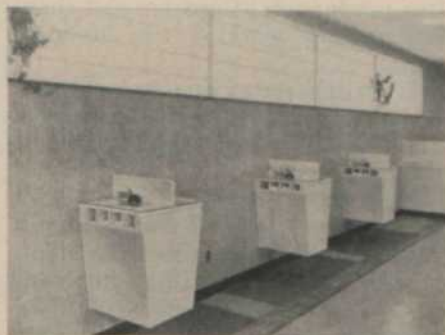
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Morale is easily determined by attitude of workers, by housekeeping, and loafing

manufacture of one item, needle valves costing \$1.25 each were being used instead of iron bearings at eight cents apiece, with no justification whatsoever. This cost the company \$80,000 a year.

2. By carrying out these meaningless operations blindly, the labor force obviously showed itself to be past caring whether what was done made sense. After Mr. Peterson had finally convinced the men that their role in the plant was important, that their voices would be heard, they came up with 86 practical suggestions in two months. This will result in combined savings of more than \$100,000 a year.

As you follow an operation, look for evidence of lack of morale. This is easy to detect—sometimes incredibly so. On one occasion, Mr. Peterson found four men asleep on newspapers spread out on the plant floor. When he awakened them to ask what they were supposed to be doing, they told him to go to hell and went back to sleep.

Next to recumbent forms, the best way to size up morale is to ask any man at any operation what he's making. Mr. Peterson once received a classic answer: "One fifty an hour." With such an answer, or any kind of dispirited one, comes an indication of low morale.

Also, as you walk through, take a quick look at the tote boxes. These are containers varying from small cardboard boxes of shoebox dimensions to huge steel things which have to be moved by forklift truck. Do they contain crumpled cigaret packages and candy-bar wrappers? This is another indication of low morale.

As you make your way along, do you slip on oily floors, walk around objects? Poor housekeeping is an indication both of lack of morale and poor management planning.

The best evidence of good or bad housekeeping is found in the one place where no work gets done: the toilet. At a metals products company, for example, Mr. Peterson found the men's toilet filthy. Production workers get very dirty in this type of plant; washrooms should have stainless-steel walls, or at least be painted often. Those walls hadn't been painted for years.

Testing the showers for hot water,

he found there was no water at all—it had been cut off long before. This meant that the men—including foremen and production managers—had to take company dirt home with them. This plant had had three strikes in three years. Labor costs were prohibitively high. It was, in short, on the verge of bankruptcy.

It may be possible that you will find the factory to be too clean, too spacious. Does it operate on a 40-hour week? Is there another factory in the same state or region doing more or less the same work?

It may be that you have found a company which tends to overfacto-

Busy executive

R.O.A. Peterson has been associated since 1948 with Booz, Allen and Hamilton as a consulting engineer. Currently he is president of Hafleigh and Company and Robot Devices, in Buchanan, Va.; and Prosperity Division of Ward Industries in Syracuse, N. Y.

rize. This is a trend particularly noticeable when top management came up from the production side.

Two factories working on a 40-hour week, no matter how bright, clean and efficient they may be, get less production at greater cost than one factory working two 10-hour shifts.

Even one factory may be too many if what it makes can be procured more cheaply elsewhere, Mr. Peterson points out.

Remember the ratio of production workers to engineers? Another ominous sign shows up when the engineering staff seems to be composed of older, obsequious personnel. This may indicate the refusal, surprisingly common in industry, of the department head to hire men who know

more than he does. Mr. Peterson once received this impression at a manufacturing concern, and noted it carefully. He later found that there was no electrical engineer on the staff, probably because the chief engineer himself had no electrical training. Analysis of an electrically operated machine showed that \$20 worth of electrical equipment could be removed without impairing its efficiency.

"Many department heads do not really understand their function," Mr. Peterson says. "The job of a chief engineer is to manage engineers, not be one."

Administrative offices

Suppose, although your ratios show that something is definitely wrong, you can't find it in the factory. Don't consider your time wasted. You have made your search easier elsewhere. On one occasion Mr. Peterson found a near-perfect factory. The work flow was masterfully organized, equipment was new and tailored to the job, men were alert and eager to explain what they were doing and why, and the place was immaculate. This meant that conditions must be terrible somewhere else.

It consequently didn't surprise Mr. Peterson to find out that the bill for a party given by one of the partners, and paid for by the company, was \$35,000. Or that the bill for the telephone installed in the other partner's company-owned automobile was \$1,800 a month.

From the plant, therefore, the administrative offices are the next step. If you can, begin at the top. Is top management coasting?

This is easy to determine. Does the president read newspapers and magazines at his desk? Does he take two and a half hours for lunch? Does he take off Tuesday and Thursday afternoons for golf? Does his week end begin before lunch on Friday and last until after lunch on Monday? If so, here is another question to be answered: Is it the company's purpose to provide this man with a happy life, or to make money for its stockholders?

It may not be necessary even to enter the main building to size up the boss. Once, when Mr. Peterson flew in to look over a company which had been forced to lay off production workers by the score he was met by the president in his company-leased, chauffeur-driven limousine. This lack of humility and perception on the part of top management could itself be a reason for the lay-offs. With

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CHECK EFFICIENCY

continued

it also came lack of morale and costly overhead.

The same test that you used at the plant, the panoramic view, should be used in the administration offices. If you see five per cent of the employees staring off into space you know there's a high administrative overhead.

As in the factory, ask selected individuals what they're doing. In one company, Mr. Peterson found six girls posting figures, but not one seemed to feel that what she was doing was important. It turned out that they were duplicating the figures which another six girls were posting in the plant.

One such duplication of effort indicates the existence of others. Where one department head has built up an overstaffed empire, others have more than likely followed suit.

In this particular company, Mr. Peterson found a total of 91 office employees doing equally useless tasks, costing the company \$365,000 in direct wages alone. Their departure enabled the remaining employees to get more work done and actually added to the services rendered by the company. No lasting bitterness resulted. Everybody knew who was featherbedding and who wasn't.

Tip: Look for duplicating dynasties of this type particularly in the third generation of family-owned companies. The more heirs you have trying to prove their indispensability, the more costly overlapping departmental overhead.

Indications of mismanagement can be found far from actual company premises. Once Mr. Peterson stumbled across a loft—annual rent \$1,400—filled with empty cartons. No representative of the company had been there for years, although there'd been a turnover in top management.

This one loft contained two implications. First, it had been silly to buy that many cartons in the first place. No matter at what bargain they'd been bought, storage cost had long ago nullified it.

Second, of course, the president and treasurer—who signed the checks for rent—should have known what they were paying for, even if it had been inaugurated by others.

The sales department

No company is better than its sales force, which in turn is no better than the manager. At one company Mr. Peterson found that the

sales manager could neither put together the scale model with which all salesmen were provided, nor could he price the combinations of the items.

It may not be possible for you to walk into the office of the sales manager and demand that he perform. Perhaps you can find out how often he visits the district offices, however. As a matter of fact, in many of the biggest and best American companies the president himself makes regular and unannounced visits to district sales offices and dealers.

At these offices, of course, you will find out whether the salesmen are sitting around or out making calls.

You can also find out whether the sales manager occasionally accompanies a salesman on a call or makes one himself. Many alert sales managers realize that times and buying habits have changed since they were on the road.

A talk with individual salesmen may reveal two serious faults, one in the sales department, one in the company as a whole. Both hinge on the answer to this question:

"Does the salesman make frequent calls on his customers to check on the performance of the equipment sold?"

If the answer is no, it is, first, an indictment of the sales department. Second, it is an indictment of the company as a whole.

Even the best of companies, with the finest of testing procedures, can learn from their customers. Customers run machinery too fast, or too slow. They grease it too much or not enough. They find bugs in the best engineered products. And they put equipment to uses of which the designer never dreamed.

The alert sales force picks up this information, passes it along to other salesmen and other customers on the one hand, and to the engineering, planning, and research departments as well.

Their failure to do so may be laid at the door of the sales manager. Worse, it may be because the individual salesman has found out his efforts are not appreciated by the other departments, in which case there is something wrong at the top.

In conclusion, these guides will by no means enable you to find every flaw in a company. But they will definitely tell you whether, and where, the company needs improvement.

—BOOTON HERNDON

REPRINTS of "Check Company Efficiency Quickly" may be obtained for 15 cents a copy or \$10.15 per 100 postpaid from Nation's Business, 1615 H St. N.W., Washington 6, D. C. Please enclose remittance.



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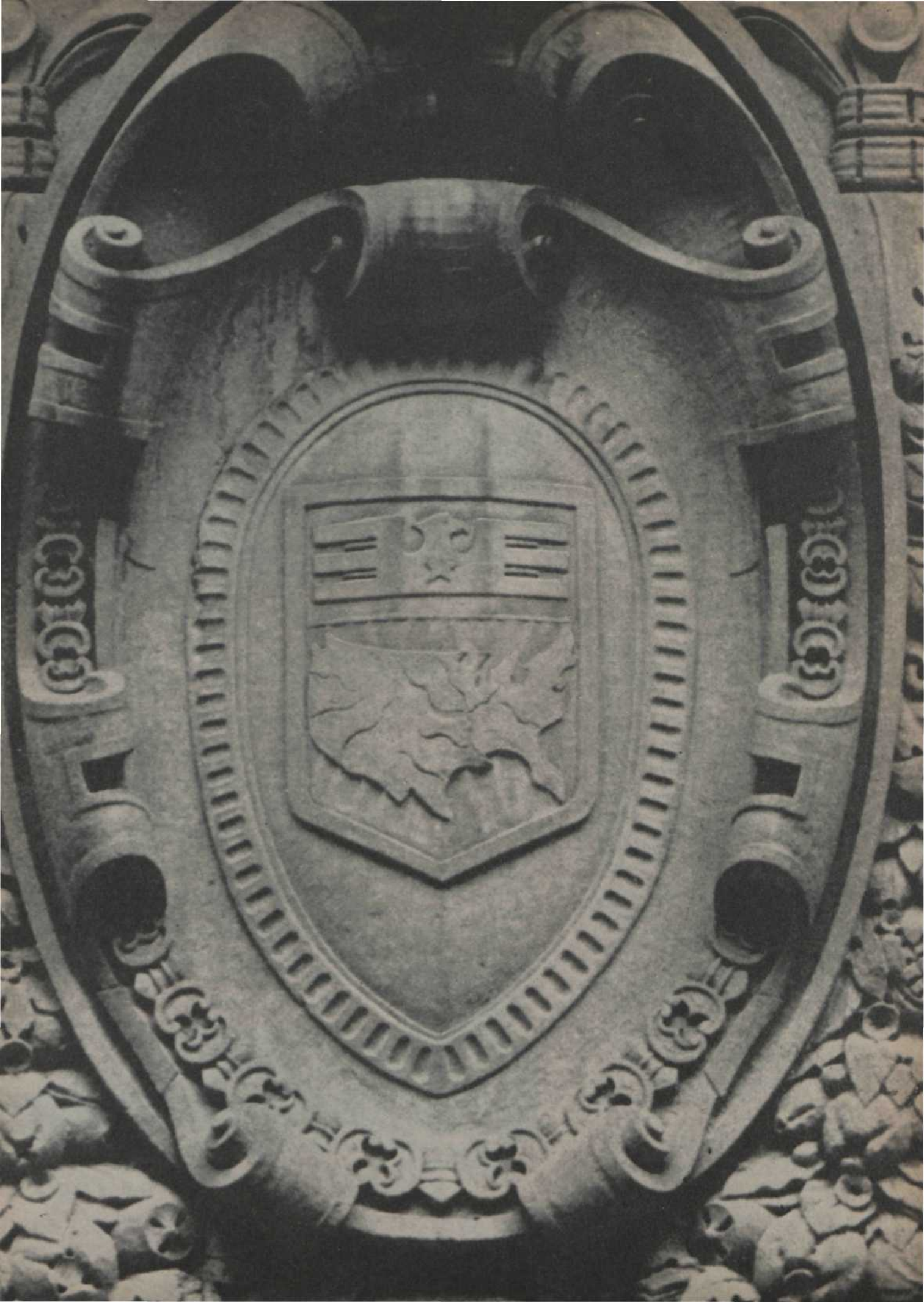
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1. Chamber members—individuals, firms and organizations — are encouraged to send in suggestions for policy statements. Policy proposals must be "national in character, timely, and general in application to business."

2. Each suggestion is turned over to an appropriate committee. The committee prepares a report, draws up a proposed policy declaration, and submits both to the Chamber's Board of Directors.

3. After reviewing the proposal, the Board usually refers it to the Chamber's Committee on Policy. This committee studies all policy proposals, coordinates them, and issues a "Preliminary Report," containing the full text of the proposals. This report is mailed to affiliated organizations 60 days in advance of the Annual Meeting.

4. By their vote at the Annual Meeting, delegates — representing affiliated organizations — may: a) approve or reject a proposed policy; b) order it to referendum; or c) refer it to the Board for further study. The size of the affiliated organization determines the number of votes it may cast, but no organization is entitled to more than 10 votes.

5. The Board may adopt an emergency policy, if it decides that an emergency exists with respect to an issue on which the Chamber has no adequate policy—and that there is not time enough to establish a policy by the usual method. Emergency policy is subject to review by the membership.

6. Unless reaffirmed, a Chamber policy expires three years after adoption.

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Executive Trends

How valuable are company creeds?

Many managers today are making a deliberate effort to relate their own thinking and action, and that of their co-workers, to the long-range objectives of their organizations. Behind this trend is the recognition that people perform more effectively when they see how their own jobs fit into the over-all pattern of activity.

The formulation—in writing—of a company creed, or philosophy of management, can be a valuable aid in orienting individual effort to total company effort.

A new publication of the American Management Association, Inc., tells how five successful companies developed creeds, and how these documents have been used as practical guides for corporate policy and practice.

► *Creeds have four purposes, according to the AMA: 1, to tell why the firm is in business, 2, to state the moral and ethical principles guiding the company, 3, to communicate the basic purposes and ethics of the company to all employees so that they may communicate them to customers and other outsiders, and 4, to set down a guide for managers so that the decisions they make will reflect the best interests of the business with fairness and justice to all concerned.*

Creed-writing yields other dividends

Research into company philosophies suggests that the process of formulating a creed often is more valuable than the finished document itself.

Lawrence A. Appley, AMA president, explains that when intelligent executives consciously ask, "Why are we in business?" they bring into the open the whole relationships of manager to employee and of company to customer and competitor.

"If there are cynics in the group," Mr. Appley says, "their attitudes are tested against sincere beliefs. It is in this process of clarification and careful consideration that the greatest good can be brought about. No one can go through such an experience without benefiting in the deepest sense."

► *The AMA's report discloses a great variety in company creeds. They range from a few short sentences setting over-all goals and ethical guides, to long documents which not only set basic policy but also tell how these policies are to be followed in everyday work. The terminology used in creeds ranges from the philosophical and religious, to phraseology reminiscent of the balance sheet and annual report.*

What top management expects of its men

In a recent Arden House discussion of the principal executive's role, Donald Power, president of the General Telephone Corporation,

cited some specific qualities which he looks for in the members of his top management team. His remarks contain thoughts of general interest.

The first thing expected of top management men, Mr. Power says, is that they be experienced and capable and able to translate their experience and capability into training younger, less experienced men.

Power of decision and the courage of one's convictions are other qualities which are sought, along with the ability to see and plan ahead, a knowledge of the economic environment in which the business operates and the ability to work as a member of a team.

"The more important an executive," Mr. Power declares, "the greater is his responsibility to be informed on, and be alert to, the political acts and considerations currently affecting business."

► It is interesting to note—in connection with Mr. Power's remarks—that the Harvard Business School, in a 50th anniversary conference this month, will place purposeful stress on "Management's Mission in a New Society." Speakers will discuss such wide-ranging topics as changes in capitalism, the businessman and communism's challenge.

Buyers say salesmen don't talk enough!

Some stereotyped notions of salesmen have been shattered by a unique research project conducted by Edward H. Weiss and Company, an advertising concern. The findings will interest companies currently striving to improve their selling methods.

Interviews with buyers for leading Chicago food chains show that many buyers complain that salesmen who call on them don't talk enough—don't give them enough of the information they so vitally need in assessing products. This contrasts sharply with the conception of the typical salesman as a windy individual who overstays his welcome.

The research shows, too, that buyers rely heavily on salesmen at two levels: in getting practical information and in deriving a sense of self-worth through the attention paid to them by salesmen.

► Here's how one buyer commented on his relationship with salesmen: "I regret we don't have more time to spend with each other. I would enjoy a half hour or more—not the hit-and-run of 15 to 20 minutes. An awful lot can be gained. You pick up a lot of new ideas. You could find out how you could assist each other and help the company."

More on cost-cutting

A recent item in this space told how companies can trim their costs by eliminating unnecessary printed forms from their operations.

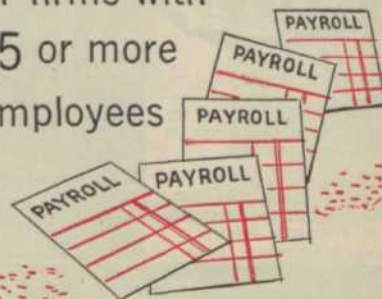
The comment prompted an interesting response from Cullom & Ghertner Company, which produces printed forms in its plants at Nashville, Tenn., and Atlanta, Ga. C & G points out that cost-cutting with forms can begin with the actual printing of forms, an item which costs business more than \$1 billion annually.

Here's one economy step recommended by the company: Combined runs—many firms do not take advantage of the fact that several of their forms utilize the same grade of paper and the same ink. These forms can be printed on combined press runs, thus reducing the printing cost per type of form.

► Other ways: Better scheduling—some forms are being printed three or four times a year when they could be printed only twice a year. Standardization—forms of different sizes generally dictate an increase in cost; most forms can be reduced to one standardized size for combined runs.

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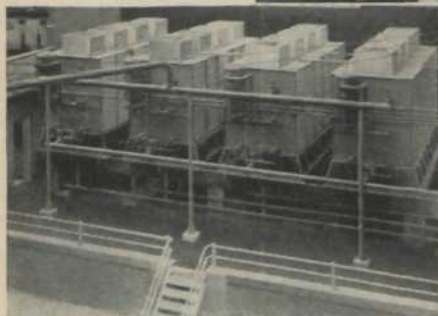
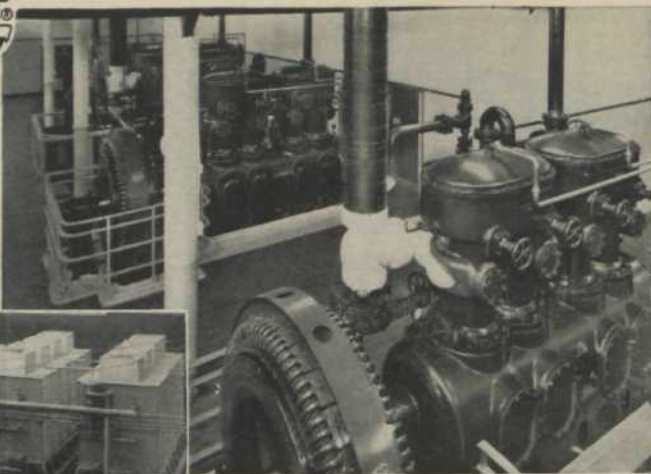
means **SATISFACTION**

MATURE AUTOCRATS

continued from page 35

Right Photo: Three of the Four Frick Compressors in Pittsburgh Brewery.

Bottom Photo: Four 300-ton evaporative condensers at Pittsburgh Brewery.



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manipulation-conformity thesis, this means that the unique strengths of the democratic work process can be used as positive forces for accomplishing the objective aims of the large organization; that is, making a profit.

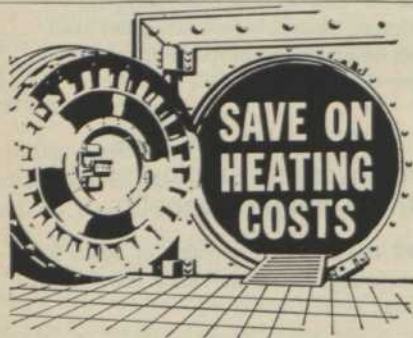
In theory this might be logical, desirable and perhaps even necessary, but it covers up an underlying problem that may turn out to be an insurmountable contradiction. This problem is how to include in an autocratic system the democratic urges of the subordinate and inferior members of that system.

There are opposing drives here that go far deeper than changing manifest behavior to accommodate and compromise forces that are in conflict with each other.

One may question whether executives are psychologically able to allow the group to participate in decisions affecting both them and the larger organization. I have found that by and large the typical executive does not have the psychological capacity to integrate to this extent even if he wanted to.

Even appearing to give lip service and some degree of credence to the democratic approach in such things as decision-making and policy formulation is almost beyond the psychological capacity of most executives.

The difficulty becomes plain once we recognize what the typical executive is really like. Robert McMurry, senior partner of McMurry, Hamstra & Co., a Chicago-based personnel consulting firm, has supplied a good description. He says that most executives are likely to be hard-driving, egocentric entrepreneurs who came up in careers where they have had to keep the power in their hands. They may be veterans and victors in the give-and-take, no-quarter, in-fighting for position of power within the business. Instead of participative management, Mr. McMurry describes business as a "benevolent autocracy" wherein the top man stresses the desirability of humanistic management but remains undeniably the strong man. This diagnosis would suggest that



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the democratic approach is basically a result of some kind of external pressure and not a manifestation of inner conviction on the part of executives. The possibility is that the democratic approach will from here on be attacked more openly by executives themselves and repudiated by a regression to a firmer autocratic approach.

We may ask how pressure for the democratic approach in business administration got started. In the '30's the failure of scientific management to bring about the high morale and high productivity that it was geared in theory to bring largely aided the workers' acceptance of unions. Management was unprepared for their demands for recognition and representation in management decisions.

The result was a surge of paternalistic management based on personal dominance.

We might also note that the union members were caught in the same way, too. Their freedom from autocratic management came so suddenly that they had no time to develop the understanding and skills which would have permitted democratic participation in union decisions.

This lag on their part aided substantially in the emergence of union rule that had every bit as much manipulation-conformity as management ever had.

Gradually, the inevitable power of the union movement caused a change in the executive approach. Workers, through their unions, began to participate in management decision-making and policy formulation.

But the line was adamantly held to the level of worker-participation.

To this day there is a reluctance to include lower and middle management in this form of mutual representation of interests.

But more democracy was bound to be urged upon executives if for no other reason than that a democratic society, believing in certain dignities of the individual, will constantly exert a force to have these dignities accepted in the most inaccessible crevices. This external pressure upon management, plus the demands of large-scale organization for group decision-making, caused some degree of acceptance of the human relations approach.

Even so, this surge to group decision-making came relatively quickly. When some 69 executives of leading firms were interviewed by this writer, the general reaction was that they use group decision-making for



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MATURE AUTOCRATS

continued

Present autocrats can make good use of democratic processes

getting acceptance of their decisions—not necessarily for getting better decisions. This reaction is in part a result of the failure of social scientists to come up with an adequate definition of what the new executive, who is bending somewhat to this pressure of democratic participation, should be.

In overthrowing previous authoritarian concepts of leadership the social scientists have failed to offer a new management pattern that is 1, commonly agreed upon by them, 2, commonly understood by executives, and, 3, sufficiently motivating to these executives.

The concept of a democratic leader itself suggests that it cannot be rigidly defined and the social scientists' belief that leadership is much dependent upon the needs of the immediate situation and group is terribly frustrating to the autocratic mind.

The present negative reaction to democratic leadership is an expression of the executive's inability to become motivated by the diffused image of the new executive prototype.

His hazy picture has not displaced the autocratic type as a manifestation of the typical executive's inner needs to dominate and control in the manner long traditional to the business system.

Just what, then, is the way out of this predicament? If democracy is unnatural, and autocracy is unpopular, how is the executive to behave?

Consultants who are to some extent both observers and practitioners must offer rather arbitrary advice even though they know science will not yet affirm it. When I am placed in this role my answer has been that the type of executive needed is the polished autocrat. That is to say, the business system seems to be perfectly set up today for the individual who wants to run with the ball but who at the same time makes the team feel needed. He makes decisions, he controls and dominates individually and with emphasis on personal influence but he does not arouse animosity. Historians often call him the “Caesar” type of leader;

a man who walks with a firm, but quiet step.

The chief technique of a Caesar type of autocrat is that he works behind the scenes. He does not meet with groups insofar as he can avoid it. Rather he picks the group members off one at a time as individuals. He is the decision-maker but he does not arouse resentment and opposition because he tries to appear as though he works through people. He is, besides a maneuverer, a strategist who can walk around a question for some time until it is politically feasible to hit it head on.

In presenting this model of leadership to businessmen I have had considerable concurrence that the firm but quiet type is becoming increasingly necessary. Some of the most eminent businessmen have this attribute about them.

Whether the polished, mature autocrat has replaced the crude type is still an academic question because our idealistic eyes sometimes indicate that more executives are less autocratic today than yesterday. What is a good bit of insight, although not yet supported by research, is that there must be dominance of the majority by a few and that these few must make decisions on behalf of themselves or the majority, or both, and that consultation with the majority is seldom feasible.

What is feasible is that the few appear to be humanitarian, conscientious and open minded. They generate not necessarily love or hate, but respect and a little, but not too much, fear.

They do not, however consult any more than necessary to get acceptance. When they do it is with other power individuals who, when allied with them, will bring the advantages of their leadership.

That these polished autocrats are useful and necessary to society is attested to by the fact that they are numerous found in some of our most democratic institutions. I have found them in religious, social work agencies, and charitable organizations.

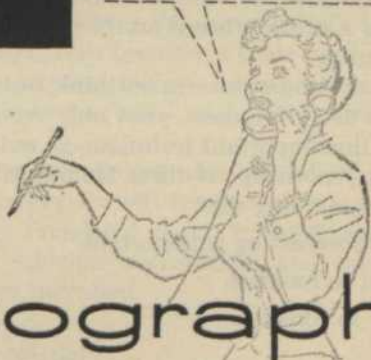
They are in educational, political, and economic organizations. They represent at best the attempt to respond as administratively as possible to the democratic urges of a mass culture.

But such a response is only possible to a degree. That degree, I believe, qualifies them to be called Mature Autocrats.

—EUGENE E. JENNINGS
Associate Professor of
Business Administration,
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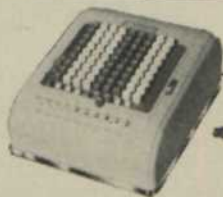
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FORECASTING can boost your profits

The success of your business can depend on understanding of these three factors

FORECASTING IS BECOMING increasingly important to every manager. More and more companies are finding that they can run a more efficient and profitable operation today if they have some idea what conditions will be next year or five years from now.

Boiled down to essentials, business is the development of a strategy based on the odds attending various alternatives.

If your competitor can outthink, outplan and outsell you by using forecasts, your only recourse is to learn to use this important technique as well or better than he can. Knowledge of three factors will improve your chances of doing this:

- ▶ Why forecasting is important.
- ▶ What to forecast.
- ▶ How to forecast.

Why forecasting is important

A systematic attempt to probe the future by inference from known facts has three general advantages:

- ▶ It helps integrate all management planning so that unified over-all plans can be developed into which division and departmental plans can be meshed.
- ▶ It enables a company to commit its resources with greatest assurance of profit over the long term.
- ▶ By helping to identify future demand patterns, it facilitates development of new products.

First step in planning: Forecasting is not a separate and unique activity, carried out by planners far removed from consideration of everyday operating matters. Forecasting is useful only if it is made part of the company's day-to-day administration. From a management viewpoint, a forecast should be regarded as the first step in planning any activity.

Consider the management task of setting meaningful objectives. Professional managers are coming to realize that this can best be done by far-ranging forecasts covering such elements as the character of the economy in the future, population trends, developments in education, technology and human personality.

As a case in point, 10 years ago Sylvania Electric

Products, Inc., was not in the television business because there was little television business. Today this market accounts for more than \$100 million of the company's sales. What kind of company should Sylvania aim to be in 1968? To get the answers, it has to anticipate trends that are hardly apparent at present.

Sound policy-making depends on accurate forecasting. For example, a sewing machine company has to set its distribution policy. Will it sell exclusively through sewing machine dealers, or through appliance dealers who also sell TV sets and refrigerators? Future profits may depend on early knowledge of the outlets through which people prefer to buy appliances.

Better use of resources: Executives are using forecasts to help adjust production, sales, purchasing and financing to long-term trends.

This is particularly important if employment is to be stabilized and facilities are to be used at peak level. As early as 1904, Eastman Kodak Co. found that vacations and summer weather stimulated demand for roll film in the summer, but that picture-taking fell off with cold weather. With decreased production in the autumn, many people had to be laid off.

Determined to correct this, Eastman studied its sales pattern and found it could forecast with accuracy the number of rolls of film it would sell for at least one year ahead. It decided to invest in needed inventory and storage facilities. But a problem appeared: Tests showed the emulsion on the film would not keep in storage. Research turned up a more stable emulsion and the company was able to manufacture at a constant volume, with assurance that peak demand would eat up accumulated inventory each summer.

The technique of forecasting has now improved to the point that companies can predict, with some accuracy, not only their sales, but also their profits and their capital outlays. On the basis of forecasts they can also program machine and equipment commitments and the expansion of plant facilities.

The Stromberg-Carlson Co., once subject to wide short-term fluctuations of demand for electronic and communications equipment, has developed means of forecasting economic and industry trends to the point that it can predict for five years in advance, with rea-

sonable assurance, what and how much it will sell for each of its product lines, its cost for sales, research, engineering and other administrative expenses.

These forecasts have a stabilizing influence on every aspect of the business. The company can determine, for several years in advance, the number of people it will need, the amount of floor space that will have to be added, what processes will need improvement, and what equipment will have to be bought, redesigned and replaced.

New products: Innovation is the life blood of business enterprise in a competitive economy. But developing and introducing new products is one of the costliest and most hazardous undertakings which management faces. For a firm like Westinghouse Electric Corp., for example, 60 per cent of the consumer products it sells now were not on the market 10 years ago. Westinghouse spends more than \$150 million a year to research and develop these products. It has to be right a good part of the time or its dollar loss will be staggering. While smaller companies do not spend as much in dollars on research and development, their investment is often even larger in proportion to their total assets.

Forecasting helps minimize mistakes by anticipating the kind of products people are likely to buy and the volume the demand will warrant.

Immediately after World War II, the Dow Chemical Co. took a careful look ahead at the probable demand for organic chemical derivatives made from benzene. The forecasts showed that coke, the existing source of supply, would fall far short of the future demand. Alerted to this probable market opportunity, Dow took several steps to insure it would be ready to capitalize on it. First, through research, it developed a process to make methylstyrene, a substitute material made from toluene instead of benzene. It then built a plant for volume production. Further, the company developed a means of recovering benzene from an ethylene plant by-product and lined up sources for

importing benzene from Europe. As demand climbed, Dow was able to tap its new sources and earn a profit on its forecasting ability.

What to forecast

Forecasting can be a costly operation which involves not only administrative expense but also time of the operating people asked to participate. There is no point in preparing a forecast unless there is promise of a direct dollar return. Since the continuity and profits of a business largely depend upon what products it makes, and its success in marketing those products, it follows that the major forecasting effort should be spent in predicting sales and markets.

Properly prepared, the sales and market forecast can be applied directly to many other aspects of the business. The sales forecast serves directly as a basis for planning production. The short-term, annual forecast is readily converted into production schedules. Used in this fashion by Johnson & Johnson, for example, it helps the company maintain a smooth, level flow of finished goods. It also insures full, economical use of machinery and equipment, and helps to level ups and downs in employment.

The finance department uses the sales forecast to determine how much money the company will take in over a given period. This becomes a basis for developing capital and expense budgets, determining what funds will have to be borrowed, and establishing dividend payments.

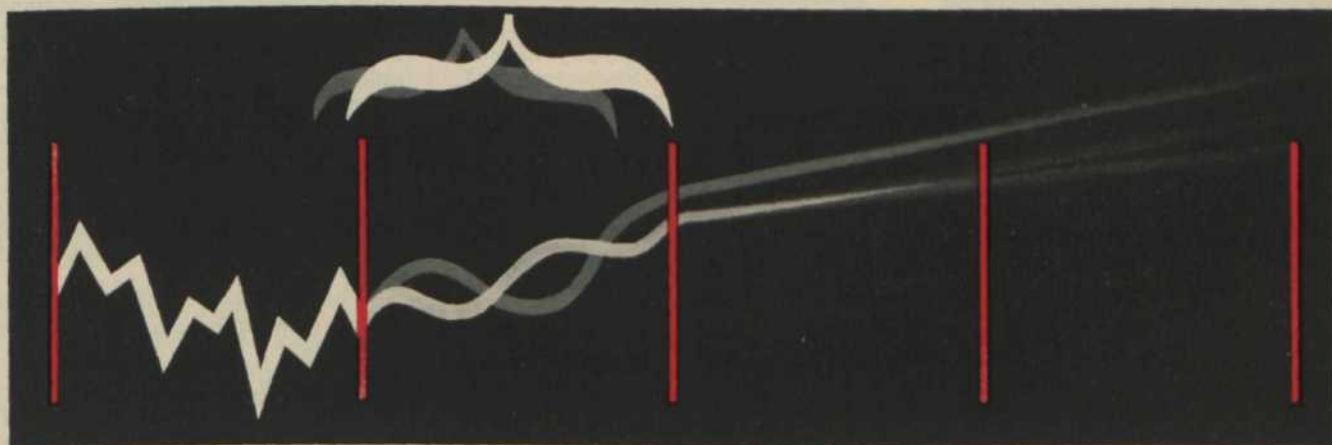
The purchasing department uses the sales forecast to decide what materials will have to be bought and in what amounts. Personnel uses it to set up development programs, schedule recruitment and transfers, recommend salary increases.

How to forecast

Forecasting should be done on a sliding basis, extending as far ahead as appropriate data can be de-

SLIDING FORECAST

requires systematic review
and revision in line
with changing conditions



Sliding projection minimizes guesswork in future planning

veloped. Short-term, working forecasts should first be developed, establishing probable conditions for the year to come. These should be prepared in as much detail and as accurately as possible. Progressive forecasts should then be prepared for succeeding years. Each will be less detailed and accurate than its predecessor but will present trends which will be valuable in developing sales, production, finance and personnel requirements.

Sliding coverage is attained by systematic review and revision of the forecasts in line with changing conditions. The forecast should preferably be reviewed monthly and at least once every quarter. At this time, discrepancies which may be significant over the short term can be noted and corrected. Actual revision of the forecast as a whole should be undertaken at least annually, and, where circumstances permit, each quarter. Revision involves extension of the general forecast for the appropriate period over the long term, with the development of complete detail for the near-term period.

The further ahead a projection extends, the more generalized it should be. As a general rule, it is unwise to attempt to focus long-range forecasts on specific time periods, such as one particular week or month.

It is invariably more accurate to select periods at the beginning, end or middle of a range.

The Carborundum Co. closely follows this sliding pattern. Carborundum prepares an annual "Concept of the Future," which includes the best possible estimates of all variables, both internal and external, which affect the success of the business. Carborundum finds that these forecasts take future planning out of the realm of pure guesswork and help make the course of the business more predictable and hence, controllable.

What methods should a manager use in developing accurate, reliable forecasts?

There are some basic techniques which every manager should know which will enable him to forecast



Speaking of Investments . . .

There goes one of our soundest, long-range investments: Brainpower! The interest—or lack of it—which you and I, as business men in this community, show in that youngster's education, will have direct influence on our future economic progress. That's why I used the word "investment."

What can you do about it? Do what other business men are already doing. Join our local chamber of commerce and participate in our Education Committee's activities. You will be cooperating closely with the school board and school officials on such projects as:

- (a) *Business visits to schools to evaluate and publicize their needs.*
- (b) *Campaigns to finance schools adequately and to increase their efficiency and effectiveness.*
- (c) *Career conferences to help teen-agers understand job opportunities.*
- (d) *Work-study projects for students with high aptitudes for technical work but no desire for college.*
- (e) *Teacher and student recognition programs.*

Through such activities you will be helping develop your community's human resources. You will be investing wisely.

Pete Progress

Speaking for
your local Chamber of Commerce

for his own unit. However, the preparation of company-wide general and marketing forecasts requires specialized mathematical and analytical skills and is best assigned to a specialized staff planning or research group.

In essence, forecasting involves two steps:

1. Gathering appropriate facts.
2. Interpreting these facts to provide a judgment on the future.

Different methods can be followed in performing both these steps. Since no one method is infallible, best results can be obtained by using two different methods and checking the results against each other.

Fact gathering: Data should be collected to establish a general framework within which forecasting can be carried out with assurance. For the company as a whole, the data are based on projections of national economic and industry indicators.

Sources include:

Survey of Current Business, Bureau of Foreign and Domestic Commerce, Office of Business Economics, Washington 25, D. C.

Economic Indicators, U. S. Government Printing Office, Washington 25, D. C.

Business Indicators Weekly Desk Sheet, National Industrial Conference Board, 460 Park Avenue, New York 22, New York.

Market Research Sources, U. S. Department of Commerce, Washington 25, D. C., which contains an excellent general listing of sources.

The general economic picture should be narrowed to data for the industry within which the company operates.

This information may come from such sources as:

Annual Survey of Manufactures, Bureau of the Census, Department of Commerce, Washington 25, D. C.

Trade Associations, such as those listed in *Directory of National Trade Associations*, U. S. Department of Commerce, Washington 25, D. C.

Detailed data on the company also are required. They should include statements of company long-term objectives, sales, production, finance and personnel statistics and projections and can best be obtained from documents and studies.

Deciding what indicator to use may be relatively simple or very complex. Republic Steel Corp. uses five elements of the Gross National Product to estimate the national demand for steel. Corning Glass Works

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continued

calculates the number of television picture tubes it will sell by relating the figure to industry estimates for sales of television sets and tubes.

Merck & Co., Inc., finds it necessary to weigh some 40 indices in arriving at its probable sales for Vitamin C.

Projecting the future: What relationship do past events have to the future? No matter how precisely the past has been charted, the accuracy of projections is always bedeviled by a host of unpredictables, ranging from winter freezes in Florida for a processor of orange juice, to the launching of a space satellite for a toy manufacturer.

Projections are usually made by statistical methods. However, companies that are most successful in forecasting often develop a combination approach that utilizes both statistics and the judgment of the management people best qualified to predict future events.

Koppers Company, Inc., for example, first projects the probable over-all economic climate for 10 years ahead. The indicators used include population growth, productivity and the length of the average workweek. Against the over-all pattern, divisional sales are forecast by assuming that the pattern of past sales will hold for the future. The divisional pattern is then compared to an over-all economic indicator to identify areas of divergence.

Each of Kopper's divisions also projects its own sales on a product-by-product basis. Here the judgment of field sales managers is used.

When completed, the top-down and bottom-up forecasts are compared and differences are reconciled to give the final forecast.

Although there is no pat method of forecasting that every company can apply, these general principles will help managers to anticipate some of the vagaries of the future. To the extent he can see ahead, the company executive can plan with greater assurance and accuracy and thus help improve the profit potential of his own job and of the company as a whole.—LOUIS A. ALLEN

Louis A. Allen Associates

REPRINTS of "Forecasting Can Boost Your Profits" may be obtained for 10 cents a copy or \$6.75 per 100 postpaid from Nation's Business, 1615 H St., N.W., Washington 6, D. C. Please enclose remittance.



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LET'S HELP THE POLITICIANS

A DEMOCRATIC REPUBLIC makes heavy demands on its politicians.

Those in other professions are expected to excel only in their specialties. Few lawyers are expert in medicine. Few doctors could build a bridge. From them such versatility is not required.

With rare exceptions the men we elect to public office are skilled as politicians. Once they are in office we require of them a breadth of wisdom such as we neither require nor expect from anybody else.

We ask them to be expert in such national problems as international relations, defense and taxation; in sectional affairs such as depressed areas and racial integration. We ask them to help us solve our personal problems as farmers or small businessmen or employers of labor. We ask them to establish schemes to educate our children now and to assure us comfortable old age later.

The results are laws which are sometimes inadequate, unsatisfactory, unneeded or even foolish.

When this happens, the usual reaction is to blame the bad laws on bad politicians.

This is less than fair.

Bad politicians are generally few and short in public longevity.

But good politicians, misinformed, may do more mischief and do it longer than bad ones.

If a good politician is misinformed, the fault is not likely to be his.

The ability to listen ranks high among the political skills. So does the ability to move in the direction that public sentiment seems to indicate.

Those who approve the move call this ability statesmanship. Those who don't approve call it political expediency.

Whatever it is called, it demonstrates the practical workings of our form of government: The people make known their wishes and the politicians carry them out.

Such a system imposes on the politician the duty to serve his people.

It places on the people the duty of telling the poli-

tician how they want to be served. When any important segment of the public shirks this duty, we get laws that are not good for the country or for the people—including the people who expected those laws to help them.

In today's complex society most political action is basically economic action and businessmen who know most about practical economics have been regrettably neglectful of their political obligations.

Other groups have been less negligent. The unions, the farmers, the veterans are among those who have been continuously active in telling the politicians how they want to be served.

The goals they have sought may be unsound. The pressures they have used may be improper.

But the interest they have displayed in government is both sound and proper. In displaying it they have been fulfilling their rights and accepting their duties as citizens.

If they have had more than their share of success, it is because other groups—including businessmen—have failed to face up to their own political responsibilities.

This failure is being recognized. All over the country business firms and business organizations are mobilizing for effective political action. They have a long way to go and much to learn. Those already organized in opposition to the sound programs businessmen will present will do what they can to discourage or frighten those who join in these efforts. This will dissuade a few.

But not many.

Men used to economic competition will not find it difficult to adjust to political competition. Their entry into politics will be even easier because only the selfish, the entrenched or those whose ideas can't stand business analysis will oppose it.

Others will welcome this renewed business interest in politics. They will recognize that, in accepting the duty that goes with the right of free speech, businessmen are serving their country politically as they have long served it economically.



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